PRIVATE CAPITAL QUARTERLY

FOURTH QUARTER 2024

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F·E·G® investment advisors

The Private Capital Secondaries Revolution

Social media platforms like YouTube, Instagram, X, LinkedIn, and TikTok (for now) have significantly evolved and grown over the past decade, driven by a massive increase in global user count, universal adoption across age groups, and advancements in technology. The growth has made these platforms easily accessible, for better or worse. It has also transformed the way people interact and communicate, access or share information, and consume news or content. Albeit on a smaller scale and less known by younger generations and those outside of the investment allocator community, private market secondaries have also experienced an evolution of growth and adoption, changing the way private capital portfolios are managed. This can largely be attributed to an increased demand for liquidity, new market participants, and other economic and regulatory drivers.

FEG has consistently emphasized the significance of private market secondary strategies within a well-diversified private capital portfolio. Our confidence in this thesis has remained steadfast over the past several years. Economic uncertainty, a challenging exit environment, and a desire for portfolio rebalancing have fueled growth in the secondary markets. FEG expects these markets to continue expanding as secondary-focused managers innovate new transaction structures to offer liquidity solutions for various private market constituents.

THE EMERGENCE AND GROWTH OF GP-LED SECONDARIES

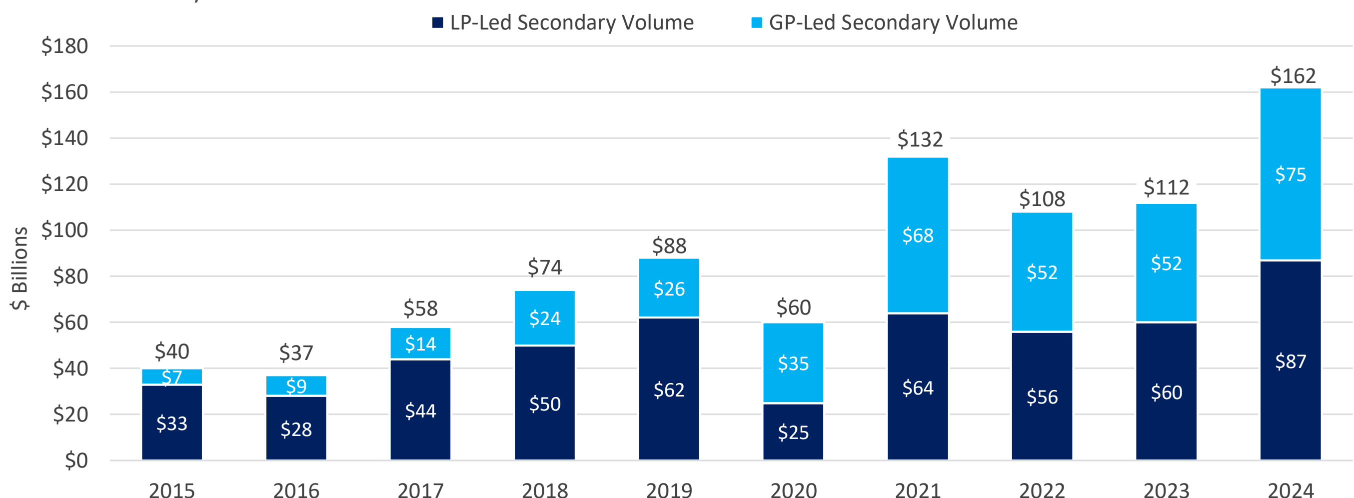
Secondaries involve the buying and selling of existing interests in private capital funds, portfolios of funds, or their underlying assets before complete liquidation. These transactions, which can take various forms, are typically designed to offer liquidity and portfolio management solutions. Secondaries also offer several potential benefits for investors and may represent an attractive entry point relative to primary private equity funds because of their differentiated risk-return characteristics. These include immediate diversification, accelerated deployment, and early liquidity to help mitigate the J-Curve effect, reduced blind pool risk and better visibility into potential future performance, and downside protection through a discounted entry point.

Historically, the secondaries market has been dominated by limited partner (LP)-led transactions. However, recent years have seen a significant increase in general partner (GP)-led transactions, which now account for approximately half of the secondary market volume.

There are several key differences between GP-led transactions and traditional LP-led transactions, such as their purpose, structure, and return expectations, among others. Focusing on the unique dynamics behind GP-led transactions may be beneficial, given their recent emergence and growth as a viable liquidity and portfolio management tool.

GLOBAL SECONDARY TRANSACTION VOLUME HAS BEEN INCREASING

Global Secondary Transaction Volume



Source: Jefferies; Data as of December 31, 2024.

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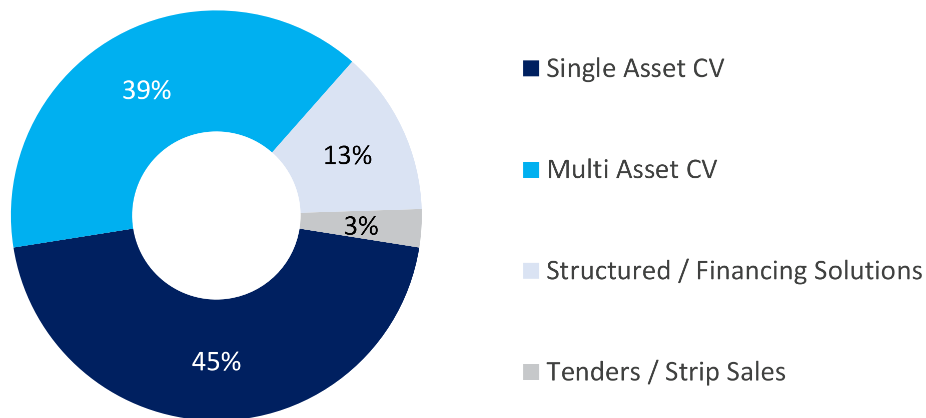
WHAT ARE GP-LED TRANSACTIONS?

A GP-led secondary is a type of transaction in the private equity secondary market where the GP initiates the sale of existing interests in a fund or portfolio company. GPs use these transactions to offer LPs an early liquidity option, recapitalize existing assets, provide management teams with more time to execute value-creation plans or re-incentivize the sponsor. These transactions can be structured around multiple assets or a single asset. LPs are typically given the option to either sell their interests and take liquidity or remain an LP in the new structure.

Continuation vehicles (CVs) are the most common type of GP-led transaction, accounting for almost 85% of secondary transaction volume in 2024, according to Jefferies.[1] In a CV, the GP creates a new fund structure or a special purpose vehicle (SPV) to acquire specific assets from the original fund. The GP usually collaborates with a secondary private capital firm to establish the SPV, purchase the assets, and reset key economic terms (e.g., monitoring fees, distribution waterfalls, carried interest, etc.). The CV is managed by the same GP and supported by new investors, along with any existing LPs who wish to retain exposure to the assets.

CONTINUATION VEHICLES DOMINATE GP-LED SECONDARIES
Transaction Type Split By Volume (%)



Source: Jefferies; Data as of December 31, 2024.

HOW DO GP-LED TRANSACTIONS IMPACT EACH COUNTERPARTY?

GP-led transactions aim to provide a flexible liquidity solution for all parties, including the general partner, their limited partners, and the portfolio assets. The structure enables the GP to meet the liquidity needs of LPs while maintaining ownership and control of assets that need more time and capital to maximize value-creation initiatives. This strategy helps drive towards a more attractive exit rather than selling their best assets when market conditions may be less favorable.

The GP generally views the assets involved in the transaction as being of high quality where there is potential for additional growth. As a result, they have the benefit of an infusion of growth capital while remaining under the ownership of the same GP. In turn, GPs often reinvest most, if not all, investment proceeds and carried interest generated back into the new SPV while resetting key economic terms to support the potential next phase of growth. As such, these transactions can re-incentivize the GP and the current management team and help to further align interests with those of the investors.

Existing LPs in the current fund receive the option to take full or partial liquidity and realize gains on the assets in the transaction or roll over their stake into the new fund structure. Selecting the liquidity option supplies an LP with capital available to re-deploy elsewhere, while choosing the rollover option provides an LP the opportunity to benefit from any future potential growth and value creation.

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For new investors (e.g., a dedicated secondary private capital firm), a GP-led transaction provides an opportunity to gain access to what is viewed as proven, high-quality assets that may not typically trade on the secondary market. They also benefit from no blind pool risk and an opportunity to add exposure to a specific asset, sector, or end-market that is in line with their investment strategy.

UNDERSTANDING THE RISKS AND CHALLENGES OF GP-LED TRANSACTIONS

Given the speed at which they have hit center stage, there is understandably some uncertainty around GP-led secondary transactions. Understanding these risks and challenges is essential:

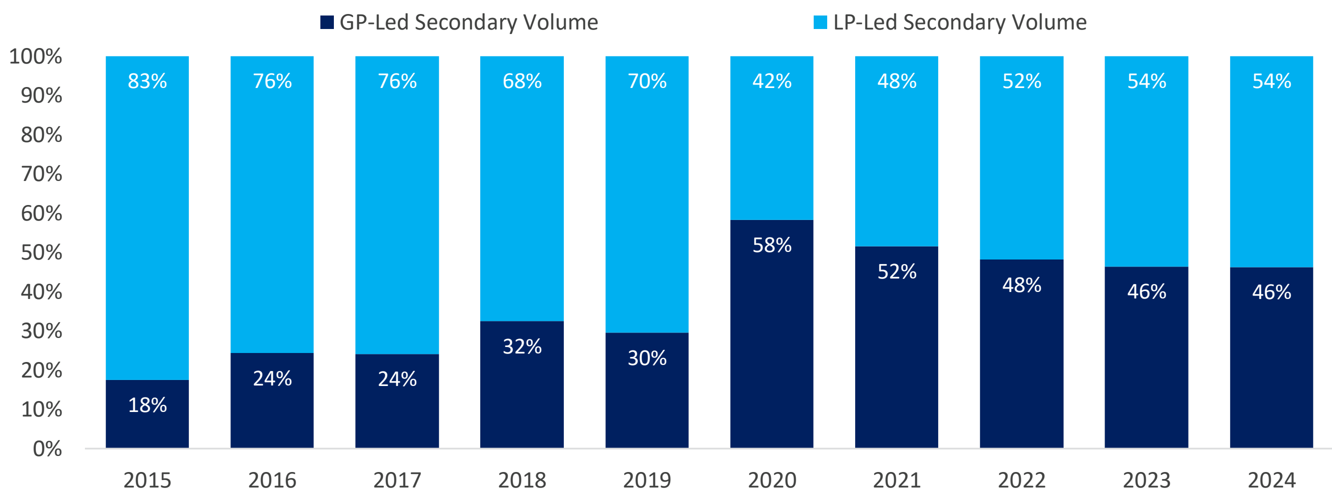
- **Conflicts of interest**: GP-led transactions have the potential to create conflicts between GPs and LPs (both existing and new), especially regarding valuation/pricing, alignment, and the treatment of carried interest.
- **Concentration**: GP-led transactions may be highly concentrated and sometimes involve only a single asset. This can create a higher risk-return profile than other private capital secondary strategies.
- **LP decision-making process**: Often transaction-specific, existing LPs often have a short window to decide on liquidity or rolling over a stake, which can be challenging given the complexities of the transaction (structure, valuation, terms, etc.).
- **Complexity and cost**: GP-led transactions are often more complex to structure, require in-depth asset-level due diligence, and may carry potential legal and advisory fees, all of which may result in a more time-consuming and costly process.
- **Regulatory oversight**: GP-led transactions are subject to heightened regulatory scrutiny to ensure transparency and fairness around valuation and disclosure requirements.

ARE GP-LED TRANSACTIONS HERE TO STAY?

In two decades, the secondaries market has evolved from a niche segment to a comprehensive asset class, supporting both LPs and GPs. In 2024, secondary transaction volume reached $162 billion, according to Jefferies, a more than fourfold increase from 2015. GP-led transactions now make up nearly half of today's volume.[2] This growth in GP-led transactions is due to increased investor acceptance, which in turn allows GPs to recapitalize high-quality assets, maintain control, and extend time for value creation strategies instead of selling prematurely.

THE GROWTH OF GP-LED SECONDARIES IS SIGNIFICANT

GP-Led vs. LP-Led Secondary Volume



Source: Jefferies Global Secondary Market Review; Data as of December 31, 2024.

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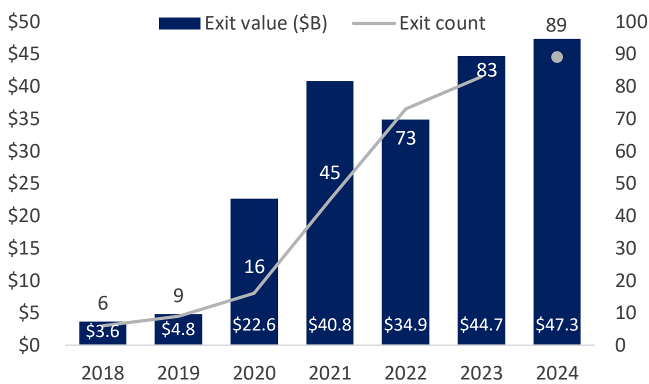
There has been a noticeable uptick in firms raising money specifically to target GP-led transactions. Preqin noted that the number of CVs they track increased nearly ninefold from 2018 to 2023, with the total capital raised by these CVs jumping from less than $6 billion to roughly $25 billion.[3]

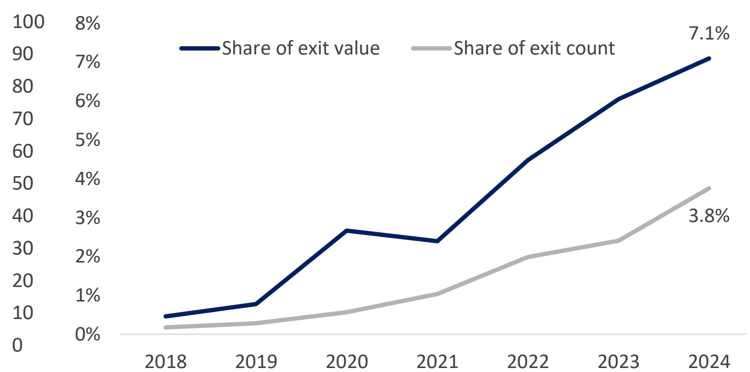
Additionally, CVs are becoming a go-to option for exits or liquidity as traditional M&A and IPO markets stay sluggish. Jefferies reported that CVs made up 13% of private equity-back exit volume in 2024, up from 5% in 2020.[4] Pitchbook also highlighted that GP-led transactions are increasingly being used for exits in a slow market. The value of global GP-led secondary exits has more than doubled over the past five years, and the number of exits has increased more than fivefold.[5] GP-led transactions accounted for more than 7% of total global private equity exit value through most of 2024, up from less than 3% in 2020.[6] Though still a small portion of the global exit market, GP-led transactions continue to experience meaningful growth in response to the market environment and increased adoption.

GP-LED SECONDARIES CONTINUE TO GROW

GP-Led Secondary Exit Activity



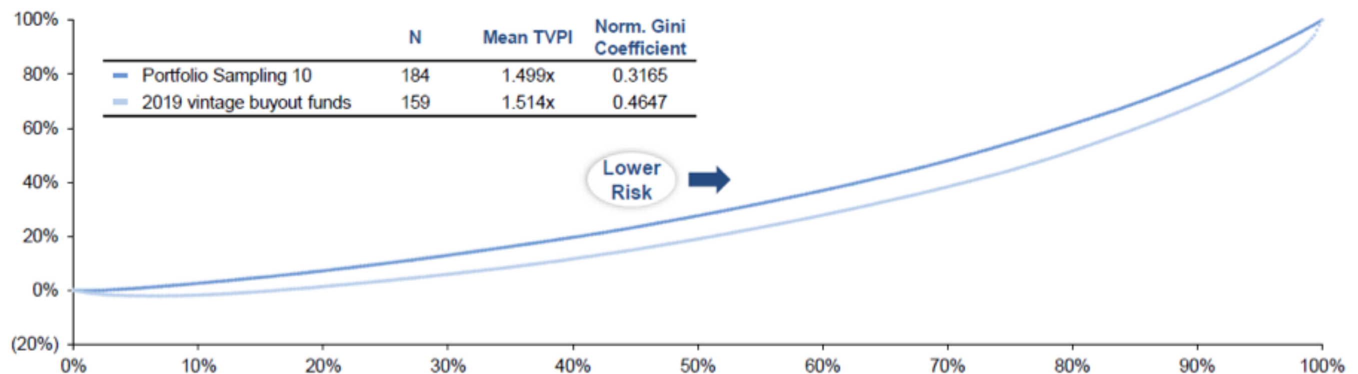
GP-Lead Secondary Exit Activity As A Share Of All PE Exit Activity



Source: Pitchbook GP-Led Secondaries Analyst Note; Data as of Q4 2024.

Despite GP-led secondaries being a relatively young segment of the secondaries market, there is now enough data to start evaluating early performance. The HEC School of Management in Paris, in collaboration with Evercore, recently carried out an independent study to assess the performance of single-asset CVs relative to the broader private equity market, using data from CVs formed between 2018 and 2022. While still early, the results indicate that single-asset CVs have performed similarly to buyout funds but with less variability in returns. These findings support the thesis of positive selection bias for CVs.[7] Favorable early results will likely serve as a continued catalyst for GP-led secondaries in the coming years.

SACV TVPI DISPERSION VERSUS BUYOUT



	N	Mean TVPI	Norm. Gini Coefficient
Portfolio Sampling 10	184	1.499x	0.3165
2019 vintage buyout funds	159	1.514x	0.4647

Source: Evercore H1 2024 Secondary Market Review; Data as of July 2024.

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LOOKING FORWARD

Given the long-term horizon and illiquidity of the asset class, private capital secondary markets remain one of the most effective options for both LPs and GPs to access liquidity or manage their portfolios actively. GPs face increasing pressure to unlock liquidity from mature portfolios in a weak M&A and IPO environment. Those reluctant or unable to fully exit portfolio companies may turn to the GP-led secondary market to meet liquidity needs, avoiding the sale of their "trophy assets" in an unfavorable exit environment. FEG believes GP-led secondaries are well-positioned to remain a key part of the broader private capital ecosystem, even as other exit routes stabilize and recover.

[1] Jefferies State of the Secondary Market; January 2025.
[2,4] Jefferies Global Secondary Market Review; January 2025.
[3] Preqin GP-Led Secondaries: Reshaping the Traditionally LP-led Secondaries Market; June 2024.
[5,6] Pitchbook GP-Led Secondaries Analyst Note; Q4 2024.
[7] Evercore H1 2024 Secondary Market Review; July 2024.

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PRIVATE EQUITY

Venture Capital

- A persistent lack of liquidity and historically low distribution levels continued to hinder U.S. venture capital (VC) fundraising activity. In 2024, roughly $76 billion was raised across 508 venture capital funds. This represents a 22% decrease from 2023 and nearly a 60% drop from the 2022 peak. Although the total capital raised in 2024 exceeded pre-pandemic levels, the number of funds was the lowest in nearly a decade.[8]

- Venture-backed deal activity is showing promising signs of recovery across all stages. In 2024, U.S. VC deal counts increased by 4% compared to 2023. Overall, an impressive $209 billion was raised across more than 15,000 deals.[9] This encouraging recovery in activity is likely due to companies eagerly returning to the market to raise new financing rounds after years of delays.

- In 2024, median U.S. pre-money valuations for venture-backed businesses rose across all stages. Compared to 2023, median pre-seed, seed, and early-stage valuations increased by 15%, 26%, and 44%, respectively. Median late-stage pre-money valuations also saw a significant rise of approximately 36%.[10]

- Exit activity for VC-backed businesses showed encouraging signs of improvement. In 2024, there were an estimated 1,259 exit events, with a total value of $149.2 billion. This marks a 10% increase in exit count compared to the previous year, while the total exit value experienced a robust 24% year-over-year rise.[11]

- U.S VC performance contracted in the second quarter of 2024. The spread between the top and bottom quartiles was above 1,000 basis points.[12]

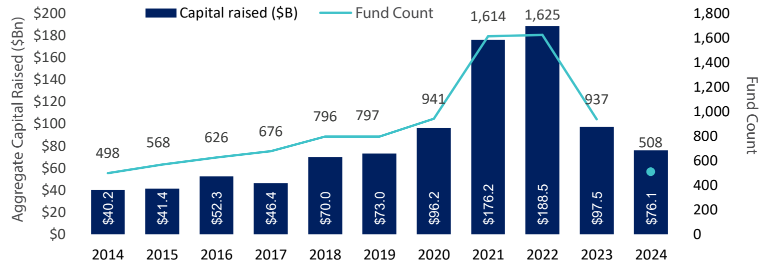
INVESTOR IMPLICATIONS

The VC environment is showing promising signs of improvement, particularly in early-stage financing rounds. While challenges persist, a lower interest rate environment and a more business-friendly regulatory approach are expected to boost activity in the coming year. Investors are encouraged to stay vigilant but continue allocating capital to this asset class as part of a well-diversified private capital portfolio.

[8-11] Pitchbook; December 31, 2024.
[12] LSEG; June 30, 2024.

VENTURE CAPITAL FUNDRAISING CONTINUES TO STRUGGLE

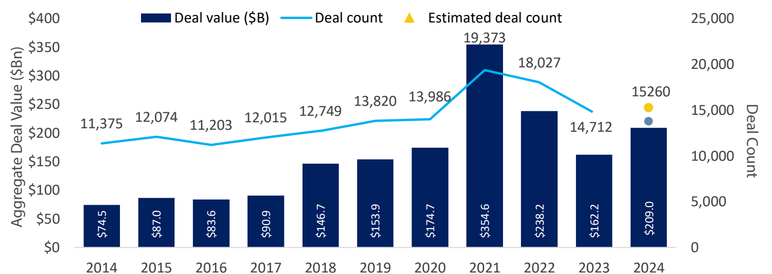
U.S. Venture Capital Fundraising Activity



Source: Pitchbook; Data as of December 31, 2024.

DEAL ACTIVITY IS RECOVERING

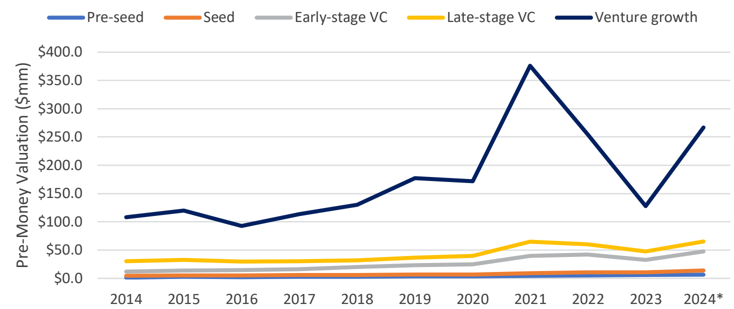
U.S. Venture Capital Deal Activity



Source: Pitchbook; Data as of December 31, 2024.

PRE-MONEY VALUATIONS REBOUNDING

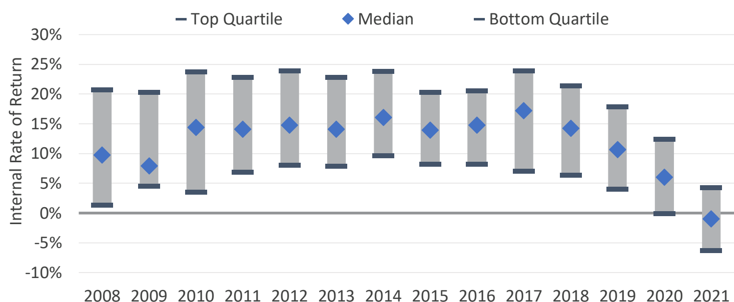
U.S. Venture Capital Median Pre-Money Valuations



Source: Pitchbook; Data as of December 31, 2024.

VENTURE CAPITAL PERFORMANCE CONTRACTED

Performance by Vintage Year



Source: LSEG Data & Analytics; Data as of June 30, 2024.

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Leveraged Buyouts

- U.S. private equity (PE) experienced a slowdown in the fourth quarter of 2024. The total capital raised during this period was around $50 billion, representing a decline of over 60% compared to the fourth quarter of 2023. For the entire year, approximately 311 funds raised about $285 billion, which is a 28% decrease from 2023.[13]

- PE dealmaking ended 2024 on a high note, showing a significant upward trend after hitting a low in the third quarter of 2023. During the fourth quarter of 2024, deal value increased by 8% year-over-year, and the number of deals rose by 13%. For the entire year, U.S. PE deal value grew by 19%, reaching $838 billion, driven by stabilized inflation and a more optimistic macroeconomic outlook.[14]

- In 2024, U.S. PE enterprise valuations (EV) increased, with earnings before interest, taxes, depreciation, and amortization (EBITDA) multiples nearing their pandemic peak. After falling from 14.1x in 2021 to 11.9x in 2023, the EV/EBITDA ratio rose to 12.7x in 2024. The median debt/EBITDA ratio in the broadly syndicated loan market was approximately 5.2x EBITDA.[15]

- U.S. PE exit activity rebounded in 2024 from the near-decade lows seen in 2023. In the fourth quarter of 2024, PE exit value and volumes increased by 60% and 35%, respectively, when compared to 2023. During 2024, PE generated 1,501 exits for an aggregate value of $413 billion.[16]

- PE performance was strong through the second quarter of 2024. The spread between the top and bottom quartiles was above 1,000 basis points.[17]

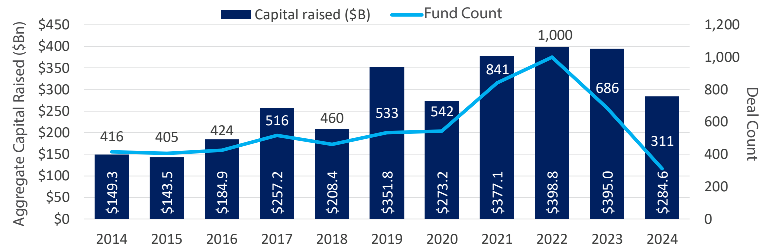
INVESTOR IMPLICATIONS

After several lackluster years, PE capital call and distribution activity are well-positioned for a rebound in 2025. However, market risks, persistent inflation, and rising valuations could present near-term challenges. Investors are encouraged to remain patient and strategic with their commitments.

[13-16] Pitchbook; December 31, 2024.
[17] LSEG Data & Analytics; June 30, 2024.

FUNDRAISING ACTIVITY IS SLOWING

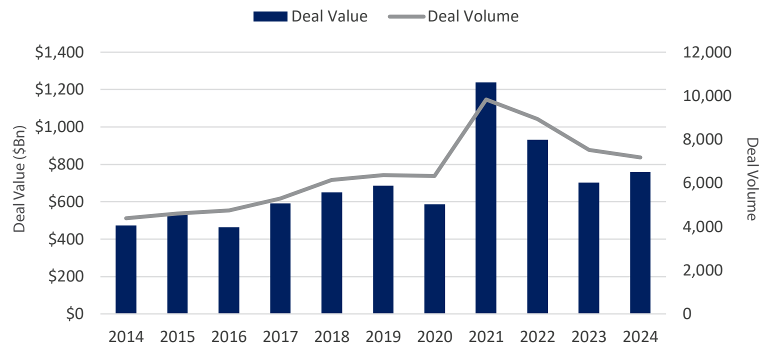
U.S. PE Fundraising Activity



Source: Pitchbook; Data as of December 31, 2024.

DEAL ACTIVITY HAS FINALLY INCREASED

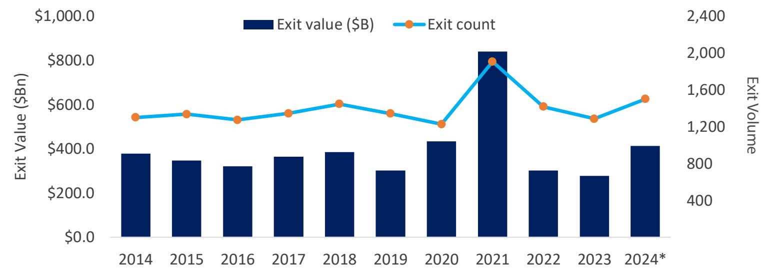
U.S. PE Deal Activity



Source: Pitchbook; Data as of December 31, 2024.

PE EXIT ACTIVITY GAINING MOMENTUM

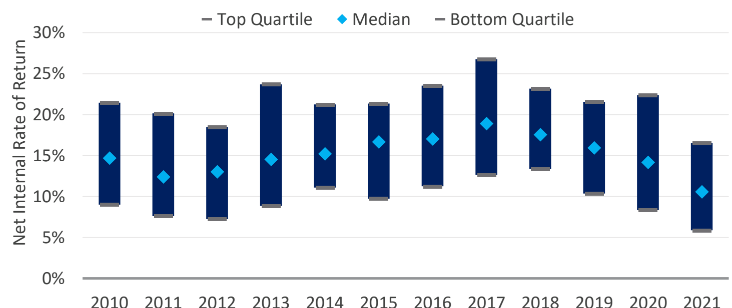
U.S. PE Exit Activity



Source: Pitchbook; Data as of December 31, 2024.

PERFORMANCE REMAINED STRONG

Buyout Performance by Vintage Year



Source: LSEG Data & Analytics; Data as of June 30, 2024.

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PRIVATE DEBT

- The fourth quarter of 2024 saw a shift in investor demand for public credit, with both the lower-rated parts of the high yield market and the overall bank loan market gaining 2.2%. High yield spreads ended the year at 292 basis points, near all-time tights. Both areas modestly underperformed the S&P 500 Index, which was bolstered during the quarter by an additional 50 basis points of Federal Reserve (Fed) rate cuts.

- High yield spreads are important for private credit investors because of the illiquidity premium inherent in private credit strategies versus public options. The yield advantage of mezzanine debt over high yield bonds remains attractive.

- Higher base rates from the Fed's rate hiking cycle drove senior secured private loan yields to low double digits. Despite fresh rate cuts, unlevered senior loans yielded less than 10% at the end of 2024 and continue to offer a premium to public bank loans of approximately 100 basis points.

INVESTOR IMPLICATIONS

Further rate cuts would negatively impact base rates and lead to lower yields for the senior and unitranche areas of the lending market, which comprise the lion's share of the direct lending strategy. In contrast, mezzanine debt yields, which are fixed rate, should be more stable.

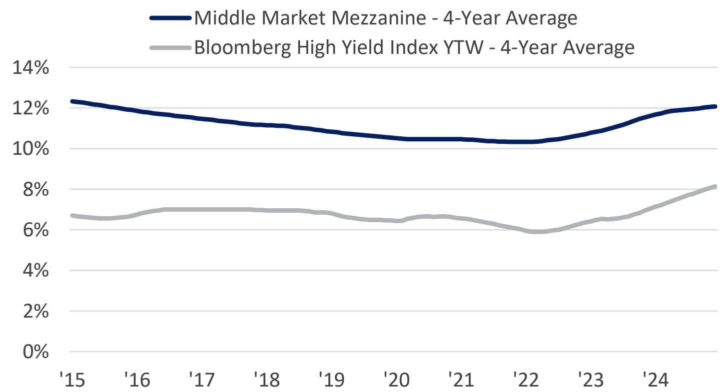
HIGH YIELD BOND SPREADS NEAR ALL-TIME TIGHTS

ICE Bank of America High Yield Index Spread

Source: Factset; Data as of December 31, 2024.

ILLIQUIDITY PREMIUM REMAINS ATTRACTIVE

Spread Between High Yield and Mezzanine Debt



Source: Preqin Insights – Private Debt Q3 2024; Data as of September 30, 2024.

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PRIVATE REAL ESTATE

- The National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index (NPI) increased by 0.94% during the fourth quarter and was essentially flat, gaining only 0.6% for the full year. Retail and hotels were the top-performing sectors for the year, gaining 5.3% and 6.6%, respectively. Market value-weighted cap rates based on appraisals for unsold properties in the index declined slightly to 4.65% compared to 4.75% in the third quarter. However, the average cap rate for properties that sold during the quarter was a significantly higher 5.6%.[18]

- As measured by the FTSE NAREIT Index, public real estate securities declined 8.5% during the fourth quarter but still finished the year with a gain of 4.9%. During 2024, most REIT sectors posted positive returns, led by regional malls (+17%) and office REITs (+21.5%). Fundamentals in some office markets (i.e., southeast) appear to be stabilizing, and REITs, with exposure to these regions, outperformed for the year. With REITs viewed as a leading indicator for real estate pricing, the recent gains could point to a bottoming out in property prices. REITs should continue to benefit from lower leverage and fixed-rate debt, although rates remain a headwind.[19]

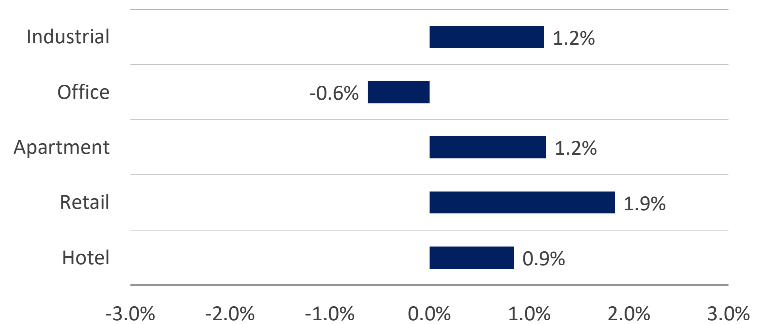
- Total aggregate value of real estate transactions reached its highest level since the fourth quarter of 2022. According to Preqin, the total deal value increased to $47 billion in the fourth quarter, up from $24.5 billion in the fourth quarter of 2023. Office and residential properties experienced the largest jump in aggregate deal value from the previous quarter.[20] Mega-funds were also active in the fourth quarter with Blackstone making the largest acquisition, a $4 billion take-private purchase of a 93-asset portfolio of retail properties from Retail Opportunities Investment Corporation.

- During the fourth quarter, 130 private real-estate funds closed, raising just above $10 billion. The aggregate capital raised marks the lowest level of capital raised in five years. Private real estate fundraising peaked in the fourth quarter of 2021 when 340 funds raised a total of $97 billion. The largest fund raised in the fourth quarter was Harrison Street Real Estate Partners IX at $2.5 billion.[21]

[18,19] NCREIF; December 31, 2024.
[20,21,23] Preqin; February 2025.
[22] Trepp CMBS Research; January 2025.
[24] Trepp CMBS Research; January 2025.

OFFICE THE ONLY DECLINING REAL ESTATE SECTOR IN THE QUARTER

NCREIF Property Index Sector Returns



Source: NCREIF; Data as of December 31, 2024.

- Private-label CMBS issuance totaled $103.6 billion in 2024, nearly three times the level seen in 2023. After two years of lenders staying on the sidelines, commercial real estate lending reached an inflection point in 2024. Single-borrower deals accounted for 68% of volume through the fourth quarter.[22] There are currently 407 real estate debt funds in the market. Along with CMBS, debt funds continue to be a valuable source of financing for real estate borrowers.[23] Delinquencies among CMBS borrowers rose through the fourth quarter, driven primarily by office and residential property borrowers. Nearly $38 billion of CMBS loans were delinquent in November, up 38% from the beginning of 2024.[24]

INVESTOR IMPLICATIONS

Some signs point to a stabilization in the real estate market following two years of declines in property prices. Recent gains in REITs, particularly in the office sector, suggest this may be the case. The rate cut by the Federal Reserve in September provided relief to property owners. Since then, however, yields on 10-year Treasuries have increased, leading to less certainty about financing costs. Also worth noting is the wall of real estate debt maturities over the coming two years, which will need to be resolved by borrowers and lenders. The market may see an increase in transaction volume, providing greater price discovery and clarity on valuations. Managers able to move across property types should be well-positioned as the rate of change in real estate markets continues to accelerate. Commercial real estate investors continue to adjust to significant changes in the market—from higher interest rates to lower property values to property fundamentals—all of which are dramatically different today than they were two years ago.

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NATURAL RESOURCES

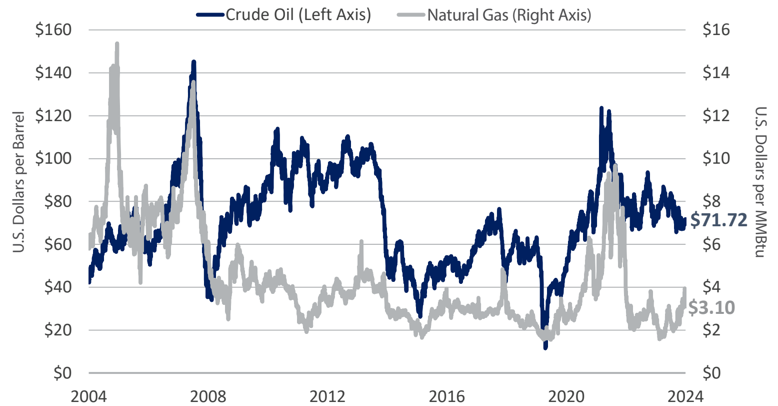
- Oil prices increased over 5% during the fourth quarter, closing at almost $72/barrel, compared to just over $68/barrel at the end of the third quarter.[25] Weak Chinese demand for oil continues to weigh on global prices as manufacturing has consistently struggled to reach pre-pandemic levels. Oil prices remained range-bound between $65-$80/barrel during most of the year.

- Natural gas prices rose 6% in the fourth quarter, closing at $3.10/MMbtu. For the full year, gas prices rose 33%.[26] Although prices dropped in December, natural gas was still positive during the quarter due to generally colder weather across the northern hemisphere and inventory draws in developed nations. Since the Russian invasion of Ukraine, Europe has been focused on maintaining full stores of natural gas, but drew down 25% of its gas storage due to colder weather. Russian gas flowing through Ukraine that would typically make its way to Europe was turned off, highlighting the consistent concern for energy security globally.[27]

- 2024 proved to be a strong year for private energy fundraising. Multiple groups successfully closed funds with several billion dollars in capital commitments to pursue upstream oil and gas development and acquisitions. EnCap closed its twelfth private energy fund in October at $5.25 billion, and Silver Hill Energy closed its latest fund with $1.13 billion in commitments. Quantum Energy Partners closed on its eighth flagship fund in October with $5.25 billion in commitments. Pearl Energy concluded fundraising for its fourth dedicated upstream fund in just four months, raising $1 billion.[28] While the broad appetite for private upstream energy is limited to fewer investors than in the past, managers with strong distribution profiles continue to attract capital. Investors seeking to avoid upstream energy may still find other attractive options in private natural resources. One area of interest is private equity metals and mining, where Kinterra Capital is raising its second fund targeting late-stage development mining operations in tier-1 jurisdictions around the globe. It is among a small group of institutional-quality private mining opportunities in the market today.[29]

ENERGY PRICES REMAIN RANGEBOUND

Price of West Texas Intermediate and U.S. Natural Gas



Source: Factset; Data as of September 30, 2024.

- Similar to the third quarter, there were no public energy company mergers or acquisitions this quarter. This comes after record levels of M&A activity across public upstream and midstream in the first half of 2024. Total deal volume in 2024 reached $105 billion, falling short of the record of $195 billion in 2023.[30] Notably, Coterra Energy purchased Avant Natural Resources and Franklin Mountain Energy in the Delaware basin for a total of $3.95 billion, which was the largest deal in the fourth quarter.[31]

- According to Baker Hughes, the total U.S. rig count decreased slightly through the fourth quarter to 582. Balance sheet discipline and return of capital to shareholders remain in focus for upstream operators, and their capex budgets were effectively unchanged. The natural gas rig count rose slightly. As a frame of reference, the U.S. oil rig count peaked at 1,600 in the fall of 2014.[32]

INVESTOR IMPLICATIONS

Record levels of merger and acquisition activity in public upstream energy could lead to a significant amount of non-core asset divestitures, creating acquisition opportunities for private energy funds with available capital. Many private energy groups have dry powder available after successful fundraising. Overall, range-bound oil prices have allowed both public and private market investors to condense bid-ask spreads on deals and complete record levels of transactions across both markets. Should the same commodity price environment persist in 2025, it is likely that deal volume will remain elevated. Further downstream, investors continue to look for ways to play into the theme of increased power demand domestically and globally due to the rollout of artificial intelligence. Both commodity producers and transporters stand to continue benefiting from this trend in 2025.

[25,26] Energy Information Administration, www.eia.gov; December, 2024.
[27] "Ukraine halts Russian gas supplies to Europe," AP News; January, 2025.
[28] EnCap Investments, October 2024; Silver Hill Energy, August 2024; Pearl Investment Management, December 2024; Quantum, January 2025.
[29] Kinterra; December 2024.
[30] Lime Rock Partners; August 2024.
[31] Hart Energy; January 2025.
[32] Baker Hughes; December 31, 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.lseg.com/en/ftse-russell 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 December 31, 2024 unless otherwise noted.

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