Conference Title: Insight Series - M&A Capabilities and Competitive Edge

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Ali Raissi: Hello, everybody. We're pleased to have you join us today on the first in our series of deep dive webinars aimed at covering different aspects of Petershill Partners. Today, we'll be discussing an important element of Petershill Partners' growth strategy, acquisitions and inorganic growth but, first, a point of housekeeping. We'll provide a link to these materials on the website in addition to a link to the recording, so you'll be able to revisit this at a later time. We won't be providing any year-end numbers during today's session. Petershill Partners is operated by Goldman Sachs Asset Management's Petershill Group. I'm pleased to be joined today by my co-heads of the business at GS, which operates Petershill Partners.

Christian, Rob, and I are only three members of a much bigger experience and tenured team at Goldman Sachs that focuses on Petershill Partners. To put this team in context, we've been in place since 2007 at Goldman Sachs, successfully investing across multiple market cycles. M&A is a key area of our expertise. We've now delivered 42 partner firm acquisitions over the last 15 years, committing $7 billion. We've also done so successfully with leading performance in our sector 24% gross ROS [phonetic] and 2.4X gross ROI on our realizations. Our deep bench and cumulative expertise is supported by a scaled platform with $10 billion of private equity capital. Importantly for Petershill Partners, this scaled and experienced team, track record of value creation, has strong alignment to the shareholders of Petershill Partners. Our private vehicles, including our own investments in them, own around 75% of the company today, and our alignment to the future continues with an operator charge linked to profits and growth, as well as direct share purchases by the team in the stock.

Goldman Sachs formed the Petershill Group 15 years ago, recognizing the opportunity in alternative asset management firms seeking capital. This business has grown over the last 15 years, with a series of sequentially larger raises reflecting the growth in the opportunity set, which we're going to touch on. Our fund growth from our first fund at $1 billion in 2007 to our fourth fund

at $5 billion in 2021 has been fuelled by an external, predominantly institutional private investor base who see ownership as a key way of capitalizing on the growth in alternatives that they're seeing and driving with their own investments. Along the way, we've driven a series of firsts for our investors, and you see this on this page as our journey. That journey includes the first of its kind public listing in Q3 of 2021 with Petershill Partners.

A public listing has always been a strategic focus for us from negotiating listing rights in our very first partnership transactions in 2007 for our fund one that since being fully realized, through to the acquisitions that began the incubation of Petershill Partners in our private funds starting in 2014 with Petershill 2 and followed by investments by Petershill 3, all of which have helped incubate Petershill Partners in the private asset space.

We've always held the belief that the permanent capital base, a listing offers, matches the long-term opportunity, the prospects and the ambitions of our partners. Through our listing in 2021, we also raised primary capital to fuel further growth through acquisitions. And in the fourth quarter of 2021, we showed the strength of the M&A opportunity to set with the announcement of five new investments by Petershill Partners.

With that brief introduction, we'll touch on today's agenda. Today, we want to leave you with three key takeaways; the size of the opportunity set, Goldman Sachs' ability to execute on that opportunity, and the impact of acquisitions on Petershill Partners earnings. We're also pleased to be able to spend some time with one of our partner firms. Joel Cutler, the Managing Partner at General Catalyst, one of the top five venture firms globally, is going to provide a case study of partnership and value creation, demonstrating what we bring as a partner.

We know that many of you have already sent in questions around the M&A webinar, and we thank you for this. We're going to work to cover as many of these as possible during this session. But should you have any further questions that arise, there are instructions below for you to

submit more questions. We'll get back to you if your questions aren't covered during this session. Thank you. And with that, I'm going to hand over to Rob to provide an overview of the company.

Robert Hamilton Kelly: Thanks, Ali. So I'll start with a high-level recap on our business. Petershill Partners is a global alternative asset management company that partners and derives its revenues from independent firms. Our product as a business is the provision of capital and strategic support to help these partner firms develop over time and we do this as an externally managed business that leverages the resources of Goldman Sachs. Our non-controlled partnership model means our firms are some of the most highly regarded independent alternatives firms whose brands you see here. In turn, our footprint is broad, diverse, and highly profitable.

We have total AUM of $203 dollars, 81% of which comes from private market funds with lock up structures. This has been growing rapidly and above the level of the industry at 25% compound growth rate and it generates significant cash based on recurring profits with $364 million in the last 12 months of partner firm distributable earnings. Most distinctively, these earnings are drawn from almost 200 underlying funds and products, meaning we're not reliant on the returns of any one's strategy, with any one sector or any one firm. This means we have a simple, recurring earnings model that's identical to the other private equity firms that you'll be familiar with. 72% of partner revenues come from stable, recurring management fees drawn from lock up products and we have years of forward-visibility into those.

We report only realized performance fees and investment income, so it's a cash-based revenue number. And then our external management structure means we have a thin layer of expenses and a high level of free cash flow conversion for group earnings. Our external management by Goldman Sachs Asset Management is distinctive, but it brings significant strategic benefits. We'll talk in this session on the M&A capabilities and the value add that GS brings to our partner firms. But I'd also touch on the fact that the company draws on more of those resources and has a

bigger team than it could afford, as a standalone company. So the cost structure is highly efficient for the company and our shareholders. But the key advantage is that these fast growing, strong performing firms aren't just partnering with Petershill, they're partnering with Goldman Sachs. They want access to the strategic support, but they're also teams who have a strong belief in their business and the fact that the best days are yet to come, and so they're not interested in selling their firms.

Our experience over the last 15 years means that we firmly believe that non-controlled partnership is the right way to provide our shareholders with access to the profits of these talent driven firms. Management, the talent who run the firms own the majority of the equity, and that preserves the entrepreneurial culture that marks out the most successful investment management firms. They're incentivized to perform for their clients through ownership of their performance fee streams, and these economics are there for successive generations of management. Through all partnership, they're able to supplement this growth through us, adding permanent capital as well as strategic support. And then we have a long track of legally structuring these partnerships to ensure we benefit from their success.

So, today, we'll talk about how acquisitions fit into this and can drive shareholder returns. The business benefits from ongoing industry growth, 10% compound growth rate, and that's continues to be driven by strong secular themes. Given these are best-in-class firms with additional GS value creation, our AUM growth has significantly outperformed this with a 25% compound growth rate. And finally, our inorganic growth can meaningfully add to the business as a whole.

I'll hand over to Ali to walk through that opportunity set.

Ali Raissi: Thanks, Rob. As I noted, we've seen strong growth in demand for capital from leading partner firms. So with this you can see in the increasing scale of the industry, which has been growing consistently driven by investor demands across different rate environments, including

when rates rose in 2016 through to 2019. Today, this growth, particularly in private capital, is being driven by themes such as extension of duration of assets being held privately and increase in depth in the private markets, effectively allowing bigger assets to be held privately for longer. And there are also new themes coming up, such as the rise of retail.

The forecasted growth to $23 trillion would mean a 1.7X increase in scale for the industry by 2026. Keeping pace with this, our own partner firms, which today represent only 1.5% of the alternatives AUM would manage $354 billion. But importantly, we believe that this growth will also drive an increase in the number of firms managing in excess of $5 billion. This is our target universe. We expect that this target universe should continue to expand with firms needing capital to support bigger funds, as well as bigger businesses. Today, we've seen a small ratio of firms list and even were this ratio to expand meaningfully, it will still only scratch the surface of our addressable market today, as well, this expected growth of this market by 2026.

Our focus has always been on the strongest performing and fastest growing alternatives firms, they benefit from being well-established, strong franchises with strong revenues. This is a critical growth stage for these businesses. We think of these as scaling firms and we've seen that firms running between $5 billion to $15 billion of capital show robust growth in line with larger peers, while also needing the benefits of strategic partnership and capital more. We found these firms are seeking to partner to get them up the curve faster. And with our focus on alignment and our non control partnerships, we know the owners are seeking to maximize the value of the equity that they continue to hold, rather than to crystallize value in a maturing business.

We'll talk on some of the reasons that these successful businesses seek capital at this stage in their growth. Larger businesses and larger funds require growing GP commitments and new products or an additional draw on capital. These firms have historically been self-financed but with generational changes, firms have sought to raise capital or to create institutional balance sheets to drive their growth. While profitable firms can retain earnings, this can delay growth. As

one partner firm noted, balance sheet went from being a nice to have to need to have. Debt has a series of challenges related to risk and flexibility. We have seen control sales, but for scaling firms, they represent an exit and giving away upside. The IPO market has a reporting requirement and while it can be an ultimate goal for ambitious businesses, at $5 billion to $15 billion, they tend to be too small to pursue this avenue. And this has resulted in the most active space being partnership solutions, the taking on of strategic partners in non-controlled transactions that allow firms to raise capital to grow while retaining upside, culture, and ownership.

The growth in the industry, these profitable firms and our alignment approach of non-controlled transactions has made this a highly attractive business model for Petershill Partners. However, it's also an industry where traditional sources of private capital can be seen as competitors. These same private capital firms that provide capital to all other industries don't tend to do so here. Transactions are driven by an ability to deliver scale of investing, reputation, and strategic resources, and this has made higher barriers to entry for new entrants, with the majority of acquisitions in the $5 billion plus scale of firms being led by three participants.

Growth across the cycle in the industry size has been driving our total addressable market. Demand for capital has meant consistent and growing transaction volumes in the space today. Our M&A track record has shown an ability to leverage this demand and has allowed us to be highly selective. Using the Goldman Sachs network and platform and alternatives, we source, evaluate, and invest in opportunities that achieve a high bar. We have also consistently demonstrated our ability to focus our sourcing and target the fastest growing sectors. We believe we can acquire partnerships and scaling businesses in a more nimble fashion than many firms can build, and we can do so on better terms than many firms can buy outright control. In Q4 of 2021, Petershill partners began to demonstrate this ability to drive focus growth, with additional acquisitions in private capital firms that embody the identified target themes of mid-market buyout, technology, tech enablement, and healthcare.

As we've touched on, Petershill Partners benefits from an established scaled operator that gives continuity to the platform that incubated the company privately and builds on decades of sourcing and GP relationships. Fund four with $5 billion of capital commitments means that Petershill Partners is not only able to participate in transactions that are typically two to $500 million in size each, but it's also able to step into transactions that were being set up prior to the listing. This was demonstrated post listing in the fourth quarter, as we announced five transactions, reflecting a simple joint acquisition framework, a joint participation in all new equity investments, the ability of the Board to opt out of deals, and a typical slice alongside representing 20% of each two to $500 million acquisition.

We've touched on the growing opportunity set and total addressable market. We've guided towards $100 million to $300 million of acquisitions a year, and we delivered ahead of this in 2021. The Board has control over capital allocation, including the raising of debt or equity for M&A, dividends, and share buybacks. However, as we look at the Petershill Partners balance sheet, as at the IPO, you can see that the combination of the cash balance, the annual retained earnings, in addition to significant debt capacity with up to three times LTM EBIT would be expected to continue to finance transactions into the foreseeable future.

With that, I'll hand over to Christian to discuss how Goldman Sachs Asset Management is executing on this opportunity set.

Christian von Schimmelmann: Thanks, Ali. As Ali said, in this next section, we like to explore how we execute our M&A strategy. So as a starting point, it's important to remember that within the Petershill Group, sourcing, evaluating pricing, and structuring investments in alternative asset management firms has really been part of our DNA for the last 15 years. Within that time, we've evaluated over 1400 deals, conducted in depth due diligence on 300 of those deals, and ultimately executed 42 transactions. Importantly, we've done that across various market cycles

and with a very stable management team, which we think is incredibly important, as we evaluate future acquisitions.

When we look at the resources we have to execute on the strategy, in addition to the Petershill Group and its expertise, we can rely on the broader global Goldman Sachs Asset Management platform, which really gives us access to one of the largest private equity businesses investing as limited partners in funds. That business for the last 25 years has evaluated over 10,000 private funds, and has ultimately invested in 600 of those, giving us a huge advantage from a relationship and sourcing standpoint. And beyond that, we obviously have access to a global footprint throughout the GS network, with bankers, wealth advisors, research analysts, all giving us unique insights into the asset class, and access to some of the highest quality firms.

One of the most tangible benefits of our broad platform is on the sourcing side. In addition to the extensive internal resources, we can also rely on several very impactful external partners, mainly our partnership -- our existing partner firms who act as excellent references for us in the market. As a result, we’ve been able to generate a very broad funnel of over 120 potential opportunities per year for the last several years, which allows us to be incredibly selective. We can screen based on sectors and asset classes, but ultimately also do a very thorough -- as we’ll talk about a minute, very thorough bottoms up analysis on individual managers and keeping the bar very high. At the end of the day, that results in a conversion rate of less than 5% of the opportunities we see and importantly, it allows us to negotiate over 80% of our transactions on an exclusive basis outside a broader process.

Once we identify an opportunity we want to pursue, we go through a very rigorous acquisition process, which between diligence, restructuring, and designing of the transaction, generally takes between two to three months. However, given our experience and resources, we’ve done transactions in as little as four to six weeks, which can be a big differentiator in the marketplace.

How do we really evaluate and assess a new opportunity? And generally, we do that across four different dimensions. First and foremost, we evaluate the quality of the partner firm; second, and clearly also extremely important, we look at the valuation and the price that we're willing to pay for an opportunity; third, and often just as important as price are the terms and the governance rights we get in connection with the transaction; and last but not least, we will look at the value creation plan and what that can do for us post transaction.

So, starting with how to evaluate the quality of a partner firm. We use a highly analytical multifactor framework that starts with the quality of the investment track record and how a limited partner would assess making investment in their fund, but then it marries that diligence with an assessment of the management team's capability to execute its business plan to develop new products and to ultimately stay resilient in a very fast moving market environment. What that has led to historically is target characteristics that look at firms somewhere between $5 billion and $15 billion of assets under management, a performance track record at the top or upper quartile, financial performance of financial results of about $100 million in revenues or more, firms that are in general 10 years or older and in ownership, as we've talked about of less than 25%.

When we assess and evaluate these factors, we are able to rely on a multitude of different data, starting with what is typically available in publicly listed firms around audit and management financials, but then also really diving into private data sets of the underlying portfolio firms for these managers to be able to assess and underwrite the business cases, and finally, using our proprietary data and Industry insights to handicap and evaluate the management's financials and forecasts.

When it comes to valuations and pricing, we do really fundamental bottoms up work to derive at our under -- own underwriting cases, which we think is very important when receiving management forecasts. We then take those underwriting cases and do a discounted cash flow analysis separately valuing the different fee streams of management fees, performance fees, and

sometimes also balance sheet. And then for our public investors, we overlay an accretion dilution analysis, as well as look at the yield in other metrics that are relevant in that context.

In addition to valuation, as we mentioned many times, governance rights and terms are incredibly important for us. We focus on four different areas. One are economic rights and in that case, because they're well defined, we often end up with protected margins and improved economics over what a traditional equity interests would look like. Then we look at the cash flows, which are ultimately important to driving value for us and we get oftentimes dividend rights that are better than ordinary equity, and that ensure us getting distributions on a quarterly or semi-annual basis. Next, and very importantly, we look at governance. And while we're not control, it's very important to us that we're well aligned with management and then we have consent rights that often go beyond what a typical non-control investor would have. Plus, recognizing that we ultimately invest in people businesses, we have very specific protection rights, such as key man rights that ensure that some of the principles and founders of the firms that we're partnering with, stay with the firm long beyond our investment. And then last but not least, we have information and liquidity rights, which makes sure that we get extensive information and have an ability to sell or publicly list our interests in our discretion.

Looking at the fourth pillar of how we assess firms is the value creation and that's obviously an incredibly important topic because that means that we can not just make sure that firms are attracted to our platform in the first place but we can really create value for them and our investors post acquisitions. And we do that with a dedicated team and as you'll see that usage of that team has dramatically increased over the last several years, which now had over 240 engagements on an annual basis with our managers, with our dedicated operating team, which we call GP Services. The type of services that we engage with our firms go around sort of three broad topics; one, a very commercial topic around fund formation and new product development; the second topic or the second area is more around operational initiatives; and the third area is about portfolio and investment performance and reporting.

On the operational initiatives beyond sort of the traditional operational best practices that we talked to our partner firms about ESG is a big an increasing topic for that, and one that we have a lot of conversations about. And as you can see, that is not just a topic for us in terms of looking at working with firms post acquisition, it is actually a critical element of our acquisition diligence as well. We have multiple factors that we assess in terms of the ESG readiness of our firms and the fact that it is a very large focus for Goldman Sachs as a whole gives us access to incredible resources in order to analyze this important topic.

With that, let me hand it over to Rob with a conversation with Joel Cutler from General Catalyst.

Robert Hamilton Kelly: Welcome back. I'm pleased to be joined today by Joel Cutler, Co-Founder and Managing Partner of General Catalyst. For those who don't know about the firm General Catalyst is a leading US venture and growth firm founded over 20 years ago, and now with offices on the West Coast, on the East Coast, and in Europe and London. They back some of the leading innovation businesses of the last decade and of the decades to come, which include the likes of Stripe, Snap, Warby Parker, Livongo, Airbnb, and many more. Joel, for those who don't know much about General Catalyst Venture, what you do on a day to day basis, can you give us a little bit of an overview.

Joel Cutler: So we are incredibly lucky, as venture capitalists, we get to talk to smart driven generally young or first time entrepreneurs about their vision of the future. And we invest, generally, at inflection points, whether that's at the beginning of a company or at the growth spurt of a company. And these are companies that are driven by software to a large degree and that can be software that's applied to consumer technology, or to infrastructure technology, or to healthcare, or to a variety of different sectors crypto, and the like. And we provide capital and guidance for founders to help them go from this point to this point, to this point, hopefully. We exist in sort of an interesting ecosystem of firms that get funded to a large degree by very well-established

endowments, foundations, and pensions, and so on. And we are in this for the long term. This is a long call, this is not a trading business, this is a building business and it's a business that one has a great responsibility to invest wisely and responsibly, and to be very concerned about the consequences of our actions so that our actions produce positive results and not any unintended consequences. So, it's also been an industry that has relatively high performance. And it's not unusual to see IRRs that are at the top of the private equity pile and certainly our firm has been fortunate to do that as well.

Robert Hamilton Kelly: That's great. Diving in on the responsible innovation, which I know is something that you've spoken very clearly about and General Catalysts been a leader in the industry in talking about. What does that really mean in terms of when you're looking at individual investments and how you run the firm?

Joel Cutler: There's a certain right and wrong on that sometimes very obvious that, though this might be a very decent idea, it just may not be an idea that we think has positive influence on society. Similarly, I think the more difficult point is, how do you look down the road and say, we start with this idea today, but what are sort of the unintended consequences if that idea becomes successful if that company becomes successful. Look at artificial intelligence and that creates a fair amount of concern about what happens in the future with machine learning, etc. Think about biology and what one could do to alter sort of the normal state, etc. So I think it's more than just making money. There's a lot of great ways to make money. It's making money in a way that has a positive influence and that is very, very aware of where it can go wrong, somewhere down the line.

Robert Hamilton Kelly: That's great. Talking about more than just making money, we've been fortunate to partner with you since 2018 and we've done a lot together over that time period. So maybe you could give us a bit of background on how you and your partners thought about that at the time, and then some of the things we've done together from that point forward.

Joel Cutler: So Petershill has been a great partner. And I think you know that and I think we've been very open about saying it, when you met us, we were a traditional one fund, very successful firm, but we had yet to go through a generational transition. Moreover, we had yet to go through a real scaling transition. And I think that what the industry has required in order to stay in that sort of cohort of top 20 firms on a global basis, has been proving that you can be multi-generational, and I think you were very helpful there. And we've had wonderful transition from my generation, and David and Ken's generation to Vermont, and Adam, and so on, and the next generation of leaders within the firm. But similar, even more importantly, we need to scale capital, and we need to scale opportunity for leadership. So you're very, very helpful, and I think, uniquely, forward thinking in this regard, of looking at what this business could be. And that was a platform of a variety of funds that were the state specific or sector specific, that gave opportunities for a lot of young people to have a voice and to lead, and also let us open up the aperture for acquiring capital to invest. Because when you're in one fund structure, there's only so much capital that one can deploy at any point in time; when you've got opportunities for leadership and the ability to attract really good people and the ability to manage that, which you were very, very helpful and that sort of transfer of knowledge of how a bigger, more platform oriented firm works, was really something I think you helped us with quite a bit.

It's allowed us to scale materially. Our attorneys have scaled materially during this period of time, similarly. Now it's been a good period of time for technology but it's allowed us to look forward to a different, more impactful kind of firm that is highly sustainable, that will grow over time, and continue to deliver the kind of elite returns that attracted you in the first place. So I think this was a really good idea for our firm, and you have been excellent partners in helping us through this transition.

Robert Hamilton Kelly: Well, that's kind of you say Joel, appreciate it. And you've always had a huge amount of energy and a tremendous focus on the future. What is the next 10 years look like for General Catalyst?

Joel Cutler: We have like the best job in the world. We get to meet the brightest and most motivated people that come and tell us their future of the world, the way that they think the world will unfold. So being a venture capitalist is a privilege and an incredibly good job. GC is in a great spot today. And as I said, to some extent, because of your guidance and your investment that allowed us to invest in the growth of the firm, I think you'll see a massive proliferation. This is a great time to invest in the innovation economy. The world has got all sorts of big problems and technology and software are going to be part of solving those problems. Whether it's in healthcare, infrastructure software, and consumer software, whether it's in crypto or biology, there's just so many opportunities for us to invest in places that make sense for our kind of capital, that will see rapid increase in valuations, rapid increase in the output of those companies, if we sort of mix super talented people and capital together. So if anyone's not invested in the innovation economy in the next 10 years, I think they'll probably find themselves underperforming at large.

GC is in a great spot. It's an amazing spot. We've got talented leadership in the next generation. We've got David, Ken and me as senior leadership. We've got Hemant as just really booming as both an investor and a leader within the company, Adam etc. And we've got a series of funds that are contemporary, whether it's our early stage fund, our creation fund, which is somewhat unique, as you know, where we hatch businesses, and we help them incubate inside of our firm and then develop them to be extraordinary and we've had great success there. And we've got a growth business that is booming. And this is sort of the power of compounding and the power of compounding is you just keep backing your winners and backing winners and you find the power law. And in venture capital, the power law is the governing force and that is a few companies will do extraordinarily well. Many will do well, but a few will do extraordinarily well and that's what

produces these crazy outsized returns that you see from leading firms like General Catalyst, and the 10 or 20 others on a global basis that create those kind of at-scale returns.

Similarly, there are a number of really interesting emerging firms that I think you know well and you're paying attention to that will encourage the most interesting and dynamic work at the earliest stages that will allow our growth funds and other really good firms growth funds to have more inventory to invest in, more great young companies to invest in. So I think the future is so bright, you'll have to wear shades.

Robert Hamilton Kelly: Joel, as ever, it's a pleasure to speak to you. Thanks for joining us today.

Joel Cutler: Rob and everybody at Petershill, thanks a lot. The best is yet to come.

Robert Hamilton Kelly: In our final section, we'll turn to the impact. We've heard little on the opportunity set and how we execute M&A. Now we'll step into how that can support our earnings growth as a company. Our focus is on the quality and consistency of our cash-based earnings, and part of this is enabled by a non-controlled partnership offering with the quality of our partners, a diverse footprint and enhanced economics. The other part is powered by Goldman Sachs with the active value creation in our partner firms, and the total shareholder returns this can drive. The outperformance of our partner firms in their investment funds for their clients is the best single data point of how compelling our partnership model is.

If we take private equity where over 50% of our AUM is, average net IRR of 20.3% is approximately two times the benchmark and our strongest firms are performing at over three times the benchmark. And we show outperformance across all of the asset classes of the business. We fundamentally believe this is because management's still own the majority of their firms, they remain aligned and incentivized to perform on behalf of their clients, as well as to grow their business.

Growth in their AUM and profitability is the bedrock of Petershill Partners earnings growth. However, given our ability to source and evaluate firms across multiple strategies and asset classes, we have no point risk. Our earnings are drawn across multiple products, firms, sectors, vintages. Our P firms alone have over 85 different vintages of products, all contributing to a diverse earning space.

We also believe irrespective of ownership level, we have the right governance and partnership terms to capture this growth. We have control on information flow and governance areas that we care about, as we define these in our legal partnership documents when we make an investment. We also have control over dividends being paid to us, at least annually. We participate in profits alongside management, not after them, as common equity would. The only strategic -- the significant error of strategic control we lack is the ability to change management but these are people businesses, where you want to evaluate and then back the management team, that's also the investment talent. If we fundamentally disagree with the direction of the business, we can sell our equity.

Turning back to our economic control and protection and look at the management fee margin shows how impactful this can be for our shareholders. You can see here that our effective management fee margin at approximately 70% is lifted and made less volatile than peers, given our structural protection. Because we participate alongside management, not after them, we also exclude other costs like private air travel, we produce higher margins and more stable earnings from management fee profits. Furthermore, our diversity means we also have more stable performance fee revenues.

Lastly, we also play an active role in these areas of development. Our partner firms have grown AUM from $90 billion in acquisition to $203 billion today, with a weighted average hold period of only three years. And this is sustainably driven through operational improvement and

development of new strategies growing from 42 to 75 over that time period. This is the best demonstration of the sourcing, evaluating, and picking the best partners and then helping them succeed in their plans. When we put this together, we think the M&A skill set meaningfully adds to shareholder value over time. The opportunity set is vast with the industry growing expected to grow to $23 trillion. We have a long history of successful execution with a demonstrated track record and this can have a strong impact on both our performance fees and the company's earnings, as a whole. In Q4, with five acquisitions expected to add 9% to 2023 earnings, this is a great example of our ability to deliver on this over time for our shareholders.

So thank you for joining us and now we'll turn to cover some of the questions that have been submitted. Ali, maybe, we'll have to for the first one, your acquisition activity in Q4 was significantly above your full year guidance, should we expect that pace to continue? Should we expect acquisitions to be weighted towards the end of the year?

Ali Raissi: Thanks, Rob, for that question. And your first observation is, historically, the fourth quarter has been a busier part of the year for us with strategic transactions. It provides a natural start point to the new partnership and it also takes on some tax considerations for our partners. You saw some of this in Q4 of 2021 when Petershill Partners made five new investments.

Robert Hamilton Kelly: Okay. So next question in, can you give more color on the Q4 acquisitions, at what multiple did you acquire the interest in the firms?

So as Ali noted, we had five partner acquisitions across healthcare, technology, middle market, buyout sold distinct but delivering on our stated strategy at listing. We illustrated previously to expect low teens entry multiple on distributable earnings, a little higher on management fee earnings and lower on performance fee earnings. And we give the forward guidance of 9% 2023 earnings accretion estimate and the dollar of commitment that shows that we are broadly in line

with that range. Lastly, I'd say that we haven't seen any significant movement in pricing over the last few years, again, due to the strategic nature of our partnerships.

So next question, and maybe, Christian, if you want to take this, how do you exert influence over your partner firms without having control and what happens in the event that you disagree with management of these firms?

Christian von Schimmelmann: Thanks Rob for that question. I would say a few things. One is we talked today about a few times why we actually like investing in our firms in an non-controlled fashion, we think there's better alignment, we think we get extra better economics out of that. We think that the best firms out there actually choose to partner with us on that basis. Having said that, we do -- we are very focused on the governance we have in these situations and we actually in particular, have a series of consent rates that will protect us and align us in the case of sort of broader strategic decisions the firm wants to make. So while we're non-controlled investors, we feel very good about the nature of our investment and the alignment we have and the control the ultimately half through our consent rights.

Robert Hamilton Kelly: So next question, if one of your partner firms was acquired or IPO-ed, what would happen to your equity? And maybe I'll take this one.

Okay, I think it is a great question. We think of these as permanent partnerships with permanent capital, enduring firms who have the best days ahead of them. So it's possible in one of the two firms, but it's unlikely and we see it as potential upside but not part of the base case. We actually anticipate the possibility when we form our partnership, so a contract speak to our value and participation in an exit. And we've historically sold assets comfortably above our holding value for a good game. I'd say, the last aspect is, if a firm IPOs as well, we would actually be taking away, we'd have to reduce some of our contractual rights as part of the comp forming of common equity

alongside other shareholders. And so we'd expect to use that prompt to sell down and realize cash for shareholders over time.

Next question in and Ali, maybe, you'd like to take this one. What does the pipeline look like for 2022?

Ali Raissi: Thanks, Rob. So at the time of the IPO, we guided that we expected to make $100 million to $300 million of new acquisitions a year in three to six new partner firms every year. We were able to achieve and beat this for 2021 with heightened activity. Notwithstanding the activity in 2021, we maintain this guidance for acquisitions across the medium term. We see continued pipeline in themes we indicated, private capital firms, post COVID themes and I think we touched on this earlier in the presentation on page 23 of the presentation.

Robert Hamilton Kelly: So next question in, how do you decide what percentage to allocate to Petershill Partners versus the private funds? And what role does the Board play in this?

Look, we have a simple acquisition, joint acquisition framework and it allows Petershill Partners to grow in a diversified manner, despite the deal sizes being $200 million to $500 million. We keep it very simple, Petershill Partners typically takes 20% and can take more for private funds or at capacity. There's no cherry picking. There's no selective inclusion. And when we think about the Q4 transactions, the Board reviewed all of these transactions and approvals needed if we make particularly large acquisitions over 12% of the market cap for the company. I'd say we also noted that capital allocation overall is a matter reserved for the Board and this will clearly shape the amount of capital available for acquisitions on the go forward.

Next question, Christian, maybe if you'd like to take this one? What's the typical size of an overall acquisition? What's the smallest and largest check you'd consider?

Christian von Schimmelmann: Great. Thanks, Rob. I think this nicely ties to the prior question as well. I think in general, the typical transaction sizes range between $200 million and $500 million for us. We've seen transactions as small as $100 million, we definitely would see -- can see transactions that are larger than $500 million as well. We think having the allocation framework that Rob discussed a minute ago is helpful for Petershill Partner to participate in all those transactions and to get very large exposures, if it chooses to in large transactions as well.

Robert Hamilton Kelly: So next question in, what do you think the impact of a raising rate environment is for Petershill Partners? And given the inflationary environment, has your sector preference shifted at all? Ali, maybe over to you on this one.

Ali Raissi: Thanks, Rob and a topical question. We benefit from firms that have long-term lock up contracts, gives them strong visibility on cash flows, particularly from their fee-related earnings. Now, if we look at previous rising rate environments between 2016 and 2019, you can see that during that period, the alternatives industry continued to grow very strongly, and they continue to demonstrate performance. Going forward, the expectation is the industry growth is expected to continue with 1.7X increase in size by 2026. Now, we've also actively targeted sectors and firms that we see growing the fastest, ones that are thriving, and ones where our capital can have the biggest impact some of these themes we've already shared with you in our targeted guidance. I think we address some of those themes on the post-COVID themes in an earlier question.

Robert Hamilton Kelly: Next question in, are you seeing increased levels of competition in the space for these partnership transactions?

Actually, we've seen very little change in this regards and the barriers to entry that we've talked about today make it difficult for new entrants to get traction. I'd say that's because you have to have significant strategic resources to appeal to high accountable firms, that cost money. And you also have to be able to write $200 million to $500 million equity checks, which is tough capital

to raise without a track record. So there's suddenly sufficient transaction volume for more participants but what's tended to happen is three main players, including Petershill have scaled our businesses to match the opportunity set rather than new entrants breaking in.

Next question in and maybe Christian on this one, given the secular trends you've talked about earlier in the development of the industry in the last five years, would you expect deals to rise above the three to six transactions a year?

Christian von Schimmelmann: Great question. So, as a reminder, we talked a lot about this today. We do think there's a very large addressable opportunity set out there. We think that opportunity set is growing, and Ali alluded to this earlier, it's growing probably by 70% over the next three to five years. And so we do think the opportunity set for more transactions than we've seen historically is definitely there. At the same time, we continue to be incredibly selective. We think it's very important to pick the right partner firms at the right price with the right structure in place. And so we don't see any pressure to do more deals but clearly if the opportunity arises, we have the capacity and the experience to do more transactions if we choose to.

Robert Hamilton Kelly: Well, we've covered many of the questions today, not all, so we'll definitely look to follow up individually with folks who had additional questions. But with that, we'd like to thank you for attending the webinar today and we look forward to engaging with you in the future.