

# Key Capital – Private Equity Fund II

## Key Capital Investment Management (KCIM) Report

30 September 2021

### Executive Summary

This report is an overview of Key Capital – Private Equity Fund II (PE Fund II), a 2014 vintage fund which provides investors with exposure to a selection of private equity funds with the aim of delivering attractive returns, which outperform public equity market indices over medium to long term time horizons.

KCIM recognises the social and economic impact of the COVID-19 pandemic on a global scale. We hope that you, our investors, and your families continue to remain safe and well during these challenging times. The information contained in this report relates in the main, to events and matters up to 30 September 2021. However, the COVID-19 section on Page 5 is based on information to 31 December 2021.

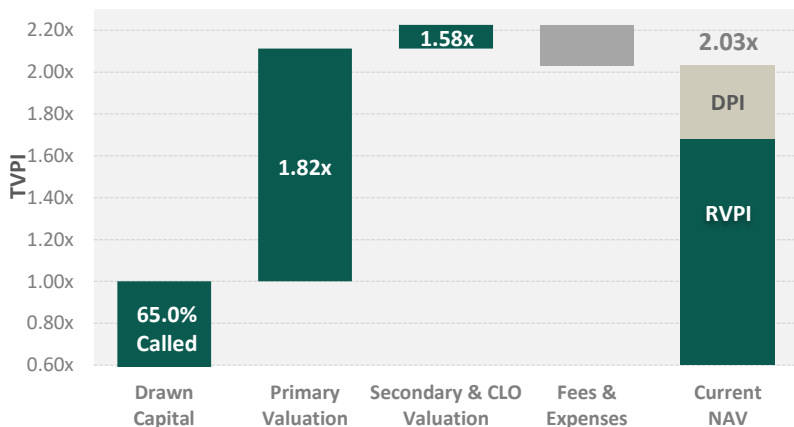
- TVPI<sup>1</sup> of 2.03x, DPI<sup>2</sup> of 0.35x and net IRR<sup>3</sup> of 15.7% at 30 September 2021.
- PE Fund II NAV increased by 7% over the past quarter (6% increase in TVPI).
- PE Fund II is fully committed and 65% drawn at 30 September 2021.
- A further 5 realisations were completed during Q3 2021. In total 29 realisations have been completed at 30 September 2021, at an average multiple of 2.8x.
- PE Fund II distributed €8.5m in December 2021, increasing total distributions to €18.8m. As a result, PE Fund II DPI has increased to 0.64x.



Q3 2021 represented another strong quarter for private equity valuations, which is reflected in the performance of the underlying funds. Private equity managers have benefitted from a strong exit environment, through public and private markets, while also managing to identify attractive investment opportunities. Notable events during the quarter include strong exits from Primary 2 and Primary 4. KCIM maintains a positive long term outlook for the fund given the revenue and EBITDA growth of the underlying companies and the current exposure to resilient sectors such as IT/TMT and Healthcare.

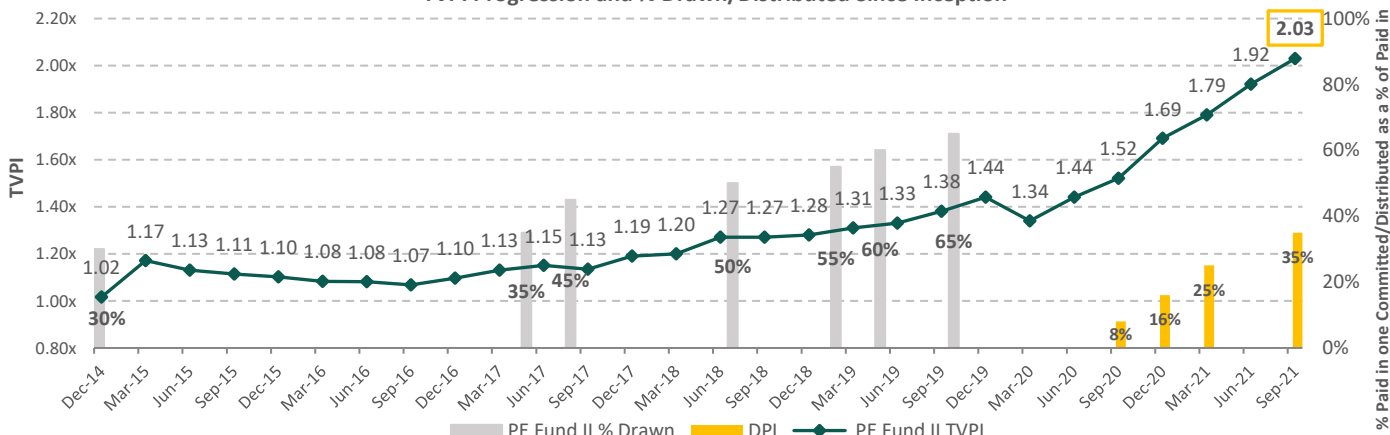
### Key Capital – Private Equity Fund II Performance

Total Value to Paid in Capital Since Inception (30 September 2021)



- PE Fund II is ranked as a top quartile fund versus its European peers in the Preqin benchmark<sup>4</sup>.
- The PE Fund II NAV, which represents the remaining portfolio value, increased by 7% during the quarter.
- At 30 September 2021, the TVPI of the primary underlying investments was 1.82x, with a net IRR of 22.3%.
- Base case projected PE Fund II returns: TVPI 2.2x.

TVPI Progression and % Drawn/Distributed Since Inception



Past Performance is not a reliable indicator of future performance. The value of funds may go down as well as up and may not return the original investment value. This is an illiquid product where capital is committed for a fixed term of investment. Key Capital Investment Management Limited is regulated by the Central Bank of Ireland.

## Capital Commitments

- PE Fund II is fully committed and 65% of investor capital has been called. 10% of undrawn capital commitments have been cancelled to date.
- Commitments made to nine primary private equity funds representing 89% of total commitments.
- Supplemented by investments in 4 secondary private equity fund of funds & 4 credit positions - 13% of commitments.

30 September 2021	€ Committed	% Committed
<b>Fund Size</b>	€45.3m	100%
<b>Investor Drawdowns</b>	€29.4m	65%
<b>Undrawn Investor Commitment</b>	€11.3m	25%
<b>Cancelled Undrawn Commitment</b>	€4.5m	10%

<b>Committed Capital - Primary Investments</b>	€40.3m	89%
<b>Committed Capital - Secondary &amp; Credit Investments</b>	€5.8m	13%
<b>Total Committed Capital</b>	€46.1m	102%

## Primary Investments

30-Sep-2021 <sup>5</sup>	Vintage	% Called	TVPI	IRR	DPI
Primary 1	2014	106%	1.72x	18.0%	0.75x
Primary 2	2015	101%	1.46x	9.1%	0.51x
Primary 3	2015	108%	1.78x	20.0%	0.78x
Primary 4	2016	110%	1.77x	21.7%	0.89x
Primary 5	2016	116%	1.55x	22.5%	0.41x
Primary 6	2016	70%	1.64x	19.2%	0.30x
Primary 7	2017	90%	2.03x	27.3%	0.28x
Primary 8	2017	108%	1.71x	26.2%	0.33x
Primary 9	2017	100%	2.45x	36.8%	0.56x
<b>Total</b>		<b>100%</b>	<b>1.82x</b>	<b>22.3%</b>	<b>0.57x</b>

At 30 September 2021, the primary managers have a combined TVPI of 1.82x, representing a 5% increase for the quarter. The underlying managers are now close to fully called and continue to focus their attention on realising investments and returning capital to investors. DPI of the primary investments is 0.57x as of 30 September 2021.

Investments in Primary 7 and Primary 9 continued to perform strongly as both funds have TVPI's greater than 2x. The IPO of Company 1 and realisation announcement for Company 11 have contributed significantly to the Primary 9 and Primary 7 performance. The largest uplifts for the quarter were Primary 9 and Primary 1, which increased in value by 17% and 5% respectively.

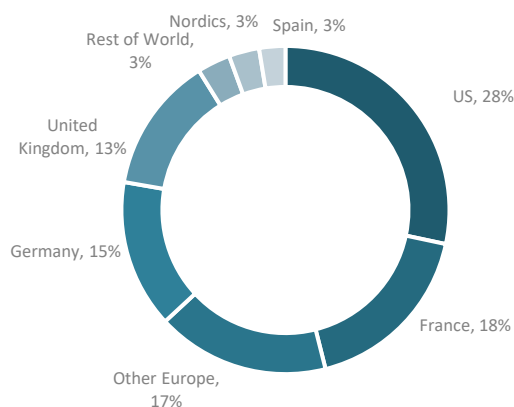
As of 30 September 2021, PE Fund II publicly listed companies account for 16% of the market value of the underlying primary investments. There have been several notable realisation events announced post Q3 2021. The proceeds of which are expected to be received upon completion over the coming quarters.

## Secondary & Credit Investments

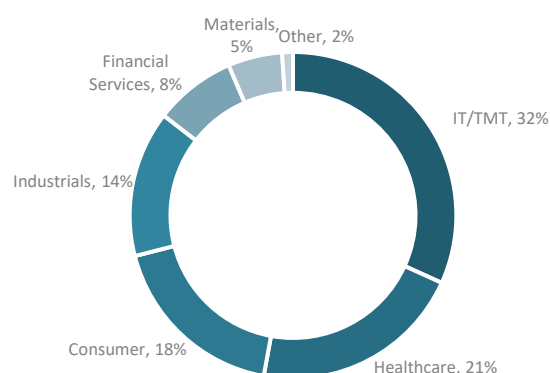
30-Sep-2021	Vintage	Type	TVPI	IRR	DPI
Secondary 1	2008 (Diversified)	Secondary	1.49x	10.3%	0.77x
Secondary 2	2001 (Diversified)	Secondary	1.44x	18.4%	1.12x
Secondary 3	2006 (Diversified)	Secondary	2.04x	22.5%	1.69x
Secondary 4	2007 (Diversified)	Secondary	1.58x	18.4%	1.58x
Credit 1 (Realised)	2014	CLO Equity	1.41x	20.8%	1.41x
Credit 2 (Realised)	2017	CLO Equity	1.29x	10.8%	1.29x
Credit 3 (Realised)	2015	CLO Equity	1.69x	16.2%	1.69x
Credit 4 (Realised)	2015	CLO Equity	1.27x	7.3%	1.27x
Credit 5 (Realised)	2015	CLO Equity	1.50x	13.2%	1.50x
<b>Total</b>			<b>1.58x</b>	<b>17.6%</b>	<b>1.38x</b>

At 30 September 2021, the PE Fund II secondary private equity fund of funds & credit investments have a TVPI of 1.58x. This includes the CLO positions which have been fully realised at an aggregate TVPI of 1.43x and net IRR of 13.4%. The combined DPI of 1.38x is made up of principal and coupon interest payments from underlying credit investments now fully realised and distributions from secondary private equity investments. In addition to the CLO positions, the investment in Secondary 5 is fully realised with a DPI of 1.58x and Net IRR of 18.4%.

### Primary Investments Geographic Exposure<sup>6</sup>



### Primary Investments Sector Exposure



The underlying PE Fund II companies are well diversified across geography and sector. The primary geographic exposure is focussed in Europe/UK at 69%, with the US and the Rest of World regions accounting for 28% and 3% respectively. PE Fund II sector exposure remains diversified. The three largest sector exposures are IT/TMT, Healthcare and Consumer. The remaining four sectors account for 29% of all investments.

### Investment Diversification - Geographic Returns Analysis

	All			Realised			
	Cost	Total Value	MOIC	Cost	Total Value	MOIC	
US	€9.0 m	€25.0 m	2.8x	US	€2.0 m	€6.6 m	3.3x
Germany	€4.2 m	€9.7 m	2.3x	Germany	€0.1 m	€0.5 m	4.0x
United Kingdom	€6.7 m	€11.0 m	1.6x	United Kingdom	€1.2 m	€3.0 m	2.4x
Other Europe	€4.8 m	€12.3 m	2.5x	Other Europe	€0.3 m	€0.8 m	3.0x
France	€6.8 m	€14.6 m	2.1x	France	€1.1 m	€2.9 m	2.7x
Rest of World	€1.2 m	€1.9 m	1.5x	Rest of World	--	--	--
Spain	€0.9 m	€1.6 m	1.9x	Spain	€0.1 m	€0.2 m	1.6x
Nordics	€1.2 m	€2.6 m	2.2x	Nordics	€0.5 m	€0.9 m	2.0x
<b>Total</b>	<b>€34.9 m</b>	<b>€78.7 m</b>	<b>2.3x</b>	<b>Total</b>	<b>€5.3 m</b>	<b>€14.9 m</b>	<b>2.8x</b>

The underlying PE Fund II primary companies have a weighted average gross multiple on invested capital (MOIC) of 2.3x. This represents a 10% increase from the previous quarter. Performance has been particularly strong in the US and Other Europe. Investments in Germany, France and the Nordics are also performing well, providing current multiples in excess of 2x.

The underlying managers in PE Fund II have shown strong exit activity to date. There have been 29 investments realised, at a weighted average gross multiple of 2.8x. Realised performance has been particularly positive in the US and Germany.

### Investment Diversification - Sector Returns Analysis

	All			Realised			
	Cost	Total Value	MOIC	Cost	Total Value	MOIC	
Consumer	€9.1 m	€16.2 m	1.8x	Consumer	€1.9 m	€5.7 m	3.0x
Financial Services	€2.3 m	€5.3 m	2.3x	Financial Services	€0.1 m	€0.2 m	2.4x
Healthcare	€6.3 m	€15.3 m	2.4x	Healthcare	€1.0 m	€3.6 m	3.7x
Industrials	€5.1 m	€10.8 m	2.1x	Industrials	€0.9 m	€2.2 m	2.4x
Materials	€2.1 m	€4.5 m	2.1x	Materials	€0.5 m	€1.4 m	3.1x
IT/TMT	€9.2 m	€25.7 m	2.8x	IT/TMT	€0.7 m	€1.7 m	2.4x
Other	€0.7 m	€0.9 m	1.2x	Other	€0.3 m	€0.1 m	0.5x
<b>Total</b>	<b>€34.9 m</b>	<b>€78.7 m</b>	<b>2.3x</b>	<b>Total</b>	<b>€5.3 m</b>	<b>€14.9 m</b>	<b>2.8x</b>

The underlying company performance in PE Fund II has been driven by investments in the IT/TMT and Healthcare sectors.

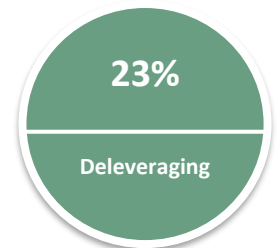
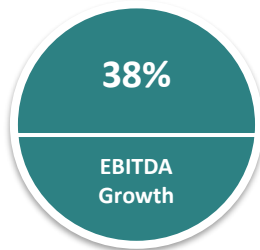
There have been exits from investments in seven sectors, with notably strong exits from Healthcare, IT/TMT and Consumer. As the underlying companies in PE Fund II continue to mature and more exits occur, the performance of realised investments on a sector basis will become more diverse.

### Largest Remaining Companies

Company	Fund	Geography	Sector	Look-Through Weight
Company 1	Primary 9	US	IT/TMT	4.9%
Company 2	Primary 7, Primary 8	Other Europe (Poland)	IT/TMT	4.3%
Company 3	Primary 6	France	Healthcare	3.1%
Company 4	Primary 9	US	IT/TMT	2.3%
Company 5	Primary 3	Germany	Industrials	2.1%
Company 6	Primary 5	United Kingdom	IT/TMT	2.1%
Company 7	Primary 5	Germany	Financial Services	2.1%
Company 8	Primary 9	Other Europe (Switzerland)	Healthcare	1.9%
Company 9	Primary 6	France	Financial Services	1.9%
Company 10	Primary 6	Other Europe (Belgium)	Healthcare	1.9%
<b>Total</b>				<b>26.6%</b>

The 10 largest remaining companies in PE Fund II represent 26.6% of the primary investment portfolio on a look-through basis. This illustrates the diversification of PE Fund II with only three portfolio companies accounting for greater than 3% of the current market value.

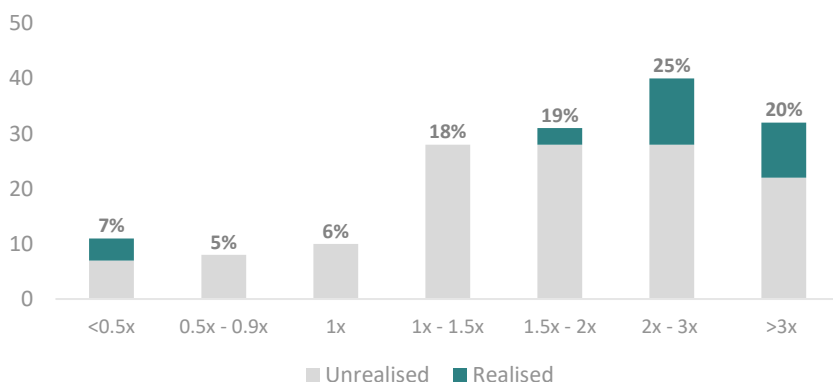
The Fund's 10 largest remaining holdings continue to show growth and strong top-line performance. Using the most recently available past 12 months data, the top 10 companies experienced LTM revenue and EBITDA growth of 27% and 38% respectively, illustrating improvements in operational performance and resilience in volatile economic conditions. The top 10 companies have also reduced leverage by 23% during the last 12 months.



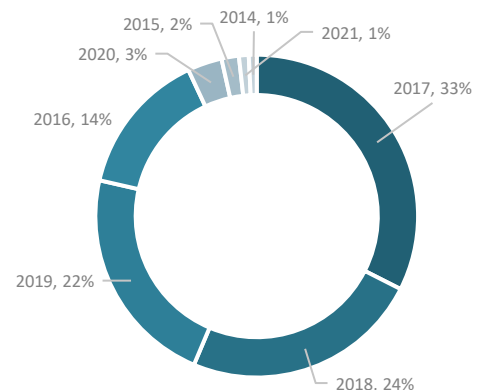
### Underlying Primary Portfolio Overview

- The underlying PE Fund II managers have invested in a total of 160 companies, 131 of which are unrealised.
- 88% of investments in the portfolio are currently held, or have been realised, at or above cost.
- The average holding period is 3.6 years.
- The underlying managers in PE Fund II have invested across eight vintages to date, providing significant diversification, with the largest single exposure to companies purchased in 2017.

Underlying Companies - Gross Multiples



Vintage Diversification



**Recent Realisations**

Company	Fund	Exit Date	PE Fund II Cost	MOIC
Company 11	Primary 5	Aug-21	206,446	2.2x
Company 12	Primary 8	Sep-21	183,608	2.6x
Company 13	Primary 2	Sep-21	50,457	4.1x
Company 14	Primary 2	Sep-21	81,414	2.4x
Company 15	Primary 4	Sep-21	268,106	3.5x
<b>Total/Average (29)</b>			<b>5,298,627</b>	<b>2.8x</b>

At 30 September 2021, there have been 29 realisations completed at an average multiple of 2.8x in PE Fund II<sup>8</sup>

- The average holding period for the realised investments is 3.7 years.

**Private Equity –Q3 2021 Market Review<sup>9</sup>**

Private Equity funds raised \$200bn across 663 funds in Q3 2021. Despite this being the lowest quarterly total of 2021 to date, the Q3 2021 figure represents an increase on the same period in 2020, when \$176bn was raised across 565 funds. Through the first three quarters of 2021 2,352 funds have raised a total of \$804bn. This compares with 1,743 funds raising \$582bn over the same period in 2020. Continuing at the current pace, 2021 will set a new record for Private Equity fundraising, breaking the \$1tn mark for the first time.

Deal activity remained strong through Q3 2021, with 1,900 deals closing for an aggregate value of \$192bn. Representing the continued recovery from COVID-19, total Private Equity transaction volume in the first three quarters of 2021 increased by 33% over the first three quarters of 2020, from 622 to 825. Total deal value in the first three quarters of 2021 more than doubled over the first three quarters of 2020, from \$51.5 billion to \$127.2 billion. Private equity managers continued to focus on those industries that have proven resilient through the crisis including IT, Healthcare, Industrials, and Consumer Products.

Exit activity was similarly strong during Q3 2021, with 707 exits completing for an aggregate value of \$196bn. Through the first three quarters of 2021 2,308 companies have been exited for an aggregate total of \$638bn. This compares with 1,339 companies for an aggregate total of \$317bn across the same period in 2020.

**COVID-19 Update (as of 31 December 2021)**

KCIM has been closely monitoring and reacting to the developing situation arising as a result of the COVID-19 pandemic. KCIM has continued to provide a full suite of services to its investors and stakeholders via business continuity protocol, which has been operating successfully. KCIM confirms that the team are fully operational, on a work from home basis, and do not envisage any disruption in the service to PE Fund II as a result of the pandemic. KCIM has also received confirmation from all service providers that no disruption to their service is expected.

Regarding the performance and monitoring of underlying investments, KCIM has closely tracked all COVID-19 related communication from the underlying fund managers. KCIM has reached out to all underlying PE Fund II managers and these updates have assisted in keeping KCIM informed of the impact that the COVID-19 pandemic is having on the underlying companies. In the first instance all managers have confirmed no impact to their service as a result of the pandemic, as they remain fully operational.

The degree of information provided varies by fund manager. For the most part, the underlying PE Fund II managers have provided information on each of their underlying investments, identifying the expected impact from an operational (impact on revenue, EBITDA or supply chain) and financial (near-term liquidity or covenant concerns) perspective. Based on the severity of this operational and financial impact, the companies have been categorised as high, medium or low risk. The below table summarises the information provided to date.

	COVID-19 Impact		
	High	Medium	Low
<b>PE Fund II NAV</b>	1%	15%	84%

1% of the PE Fund II primary investments NAV (at Sep-21) has been categorised as high risk (decrease from 16% at the height of COVID-19 impact in Q1 2020). The fund managers continue to monitor these companies particularly closely, ensuring they can address potential issues in a timely manner. Given their investment experience and resources, the underlying managers are well placed to navigate the COVID-19 landscape for their existing portfolio companies.

**Additional Activity Post Reporting Period**

In December 2021, PE Fund II distributed an additional €8.5m of capital, increasing the fund DPI to 0.64x.

## Footnotes

1. *Total Value to Paid-in Capital (TVPI)*: The ratio of the current value of remaining investments within a fund, plus the total value of all distributions to date, relative to the total amount of capital paid into the fund to date.
2. *Distributed to Paid-in Capital (DPI)*.
3. *Internal Rate of Return*.
4. *Preqin* is a source of data and intelligence for the alternative asset industry. Data as of January 2022, peer group is 2014 vintage European Fund of Funds <\$1bn.
5. 97% of NAV is valued using Sep-21 valuations.
6. Other Europe includes: Belgium, Hungary, Italy, Ireland, Luxembourg, Netherlands, Poland, Switzerland. Rest of World includes: Australia, China, India, Israel, Taiwan
7. Look-through weight estimation based on Sep-21 valuations.
8. Gross returns are pre underlying manager and KCIM fees. Multiples for exits completed and announced, the exact final realised gross multiple on announced exits may vary.
9. Data source is Preqin Private Equity Database and Research 2021 & Pitchbook Private Equity Market Review and Outlook 2021

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