A PATIENT AND SELECTIVE APPROACH TO CAPITAL DEPLOYMENT IN THE CURRENT MARKET ENVIRONMENT

MACRO OVERVIEW

Following strong performance through most of 2018, market volatility rose in the latter part of 2018, with sharp market declines in Q4 2018 followed by strong recoveries in the first few months of 2019. The main cause of the market swings has been shifting perceptions of the sustainability of the global economic expansion. Across most countries in recent months growth data has generally come in below market expectations, with Europe experiencing the brunt of the disappointment. The root causes of the slowdown are tightening financial conditions combined with a broad-based weakening of the global industrial cycle driven by the lagged impact of credit tightening in China and the US-China trade war hitting global trade flows and sentiment.

Despite the growth slowdown, we think recession and systemic financial crisis risks remain low. Bank balance sheets in the US, Europe and the UK have been substantially shored up since the global financial crisis. Household balance sheets are generally strong and employment conditions are healthy. The earnings growth of listed companies is slowing from high levels but remains positive and recent policy changes by the US Federal Reserve, ECB and China should help stabilise growth later this year. However, within the UK, the continued political and economic uncertainty surrounding Brexit is starting to have a real impact on the UK economy, with business investment slowing sharply and consumer sentiment faltering.

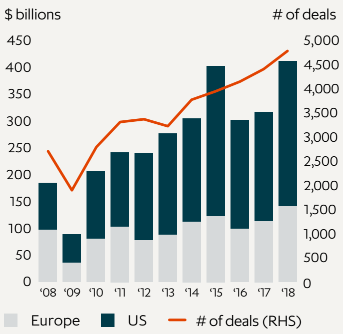
In this slower but still positive growth environment, well managed companies should continue to perform well. We think, however, in this stage of the cycle, investors need to continue to focus on downside protection. This includes an emphasis on less cyclical companies and sectors and a preference for exposures to companies with defensive cash generative businesses. Slower growth, continued geopolitical uncertainty and reduced central bank liquidity will likely keep market volatility high, but should also create opportunities for patient investors with medium to long term time horizons.

EUROPE AND US BUYOUT MARKETS

$403BN

VALUE OF NEW INVESTMENTS

EUROPEAN AND US BUYOUT: NEW INVESTMENTS



Source: Preqin

NEW INVESTMENTS TRENDS

2018 saw an increase in activity in both the US and Europe with the number of buyouts increasing by 9% and the average value of transactions increasing significantly in the period

Competition for deals remains fierce, sustaining high multiples paid. The average multiple paid for new investments in the US remained flat at 10.6x EBITDA while in Europe it increased to 11.0x EBITDA from 10.3x[1]

Market outlook for 2019 is mixed, with managers wary of macro factors and geopolitical uncertainty, but optimistic about a number of non-cyclical growth drivers

RESPONSE

Our mandate allows us to be nimble and adjust the mix of investments dependent on market conditions and where we see the best relative value

We remain cautious and selective in deploying capital, focusing on resilient businesses

Strong relationships with underlying managers have resulted in a good flow of compelling co-investment opportunities

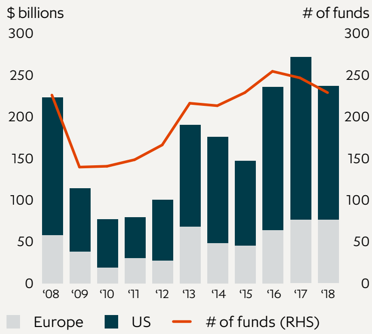
We have access to proprietary ICG deal flow and are selectively investing in situations featuring structural downside protection and more attractive pricing due to complex deal dynamics

1 Source: S&P

$237BN

TOTAL FUNDRAISING

EUROPEAN AND US BUYOUT: FUNDRAISING



Source: Preqin

FUNDRAISING TRENDS

2018 saw another strong year of fundraising, marginally reduced from the 2017 peak

Majority of capital concentrated in the top 50 funds; the 10 largest funds accounting for approximately a quarter of all capital raised[2]

Recognising the long term outperformance of private equity, allocations to the asset class are increasing

RESPONSE

We believe 2019 will be a strong year for fundraising in both the US and Europe, giving us a wide range of funds to choose from

We continue to select leading private equity managers, who invest in high quality defensive businesses

Strong relationships ensure allocations to top performing oversubscribed funds

We are leveraging the strength of ICG's platform and relationships to access new top performing managers, particularly in the US

2 Source: Preqin

RECENT INVESTMENTS FOCUS ON THREE KEY THEMES: DEFENSIVE GROWTH, STRUCTURAL DOWNSIDE PROTECTION AND RELATIVE VALUE

WHERE ARE WE FINDING VALUE?

In the current market environment, we remain patient and selective in deploying our capital.

We made 10 primary commitments in the year, seven of which were to third party managers. Within our third party funds portfolio, we are invested with established managers, with strong track records of value creation through multiple cycles, and we are confident in their ability to generate attractive returns through the cycle.

Within our high conviction portfolio we are focused on high quality defensive businesses and in special situations where we can achieve relative value. Our flexible mandate allows us to deploy capital into high conviction investments on a case by case basis and we remain focused on:

Defensive growth
We have invested in companies with relatively low correlation to the economic cycle. These companies typically have high barriers to entry, leading market positions and strong recurring revenue streams. We also look for businesses with high margins, low customer concentration and often in structural growth industries.

Structural downside protection
A number of our recent investments with ICG have structural downside protection as well as defensive growth qualities.

SOME OF THE GROWTH DRIVERS IN THE CURRENT MARKET:

Demographics
- Healthcare and education

Pressure on public spending
- Healthcare, education and technology

Increasing regulation
- Healthcare, industrial and business services

"Must have" data
- Business services

Software as a Service
- Technology

1 DEFENSIVE GROWTH
- Strong market positions in growing markets
- Highly resilient businesses with relatively low correlation to economic cycles
- Strong recurring revenue streams, high margins and highly cash generative

2 STRUCTURAL DOWNSIDE PROTECTION
- Typically ICG managed assets
- Investing across the capital structure

3 RELATIVE VALUE
- Attractive pricing due to deal dynamics
- Fund recapitalisations alongside ICG; investing at 6-7x EBITDA
- Includes certain "late primary" fund investments

Two of the new co-investments completed in the 12 months include a mixture of subordinated debt and equity investments. By combining the downside protection of the subordinated debt investment with the upside potential of the equity investment, these structured deals are targeting a blended return which is similar to a typical equity deal but with much lower downside risk and we think this is a particularly attractive dynamic.

Relative value
We have also invested in a number of situations where the deal dynamic has facilitated investment at very attractive valuations. The best example of this is our commitment to the ICG Strategic Equity strategy, which focuses on leading restructuring and recapitalisation transactions for mature private equity funds. The fund has completed 10 transactions, buying portfolios at an average of 6-7x EBITDA. To date, 18 of the 42 underlying companies have been sold, including Cambium which generated a return on investment of 4.8x.

Other examples of relative value include "late primary" transactions. These are when a fund is partially invested at the time of our commitment and we are able to diligence early investments and invest at original cost, even if an underlying company has been written up on performance grounds. An example of a late primary is Leeds Equity Partners.