Private Equity
As a Liquid Alternative Investment
Institutional/Financial Professional Use Only. Not for Public Distribution

Pioneers In Providing Private Equity Access

- Founded in 2003
- First and largest US money manager to package listed private equity products
- Provides access to institutional-quality private equity investments in a liquid, transparent 1940 Act structure
- Manage over $1.4B* 
- 12 employees with average financial services experience of over 20 years

*As of 8/31/2014
Private Equity is All Around Us

Private Equity by the Numbers
• $3.5 trillion AUM globally*
• Largest alternative asset class with over 58% of estimated $6 trillion of AUM in alternative investments globally*
• Approximately 2,800 private equity firms and more than 17,700 private equity backed companies are based in the U.S.**
• Worldwide, more than 7.5 million people are employed by U.S. based private equity firms**

*Preqin, January 2014  
**Private Equity Growth Capital Council, 2013 Annual Report  
How Private Equity Creates Value

- The business model of private equity is to buy companies at attractive prices, enhance them, and sell them at a profit after 5-7 years or more.
- Aligns ownership and management interests with long term investment perspective.
- Value creation has shifted over time from leverage to operational improvement.

Source: Boston Consulting Group

*Multiple arbitrage: Other than operational improvements, these are the tactics that increase the value of a portfolio company between buying and selling it, such as: buying several related companies and combining them into a single entity, merging a private company with a public company, or repositioning a company to compete in markets and industries with more potential.
Institutions Are Meaningfully Increasing Allocations to Private Equity
However, Investors Face Numerous Challenges in Accessing and Managing Private Equity

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illiquidity</td>
<td>Traditional private equity investment structure is limited partnerships which can be difficult and expensive to change allocations or sell prior to maturity</td>
</tr>
<tr>
<td>Long investment lockup periods</td>
<td>Private equity limited partnerships are 7-10 year investment agreements. Investments are contractually committed for the duration of the partnership.</td>
</tr>
<tr>
<td>High investment minimums</td>
<td>Minimum investments can be $1 million or more</td>
</tr>
<tr>
<td>Accredited investor status</td>
<td>Traditional private equity investors must be institutions or accredited</td>
</tr>
<tr>
<td>Diversification</td>
<td>Investors should consider investing across managers, vintages and strategies to manage selection and investment risk. Achieving diversification in traditional partnerships may require significant investment commitments to private equity, possibly $10 million or more</td>
</tr>
<tr>
<td>Access</td>
<td>Access to top managers and funds is competitive and selective</td>
</tr>
<tr>
<td>High fees and expenses</td>
<td>Private equity firms charge 1.25%-2.5% or more in management fees and 15%-20% of investment profits after achieving a minimum return hurdle rate</td>
</tr>
<tr>
<td>Complexity and tax reporting</td>
<td>Partnership interests issue K-1’s, often months after tax deadlines</td>
</tr>
<tr>
<td>Lack of transparency</td>
<td>Initial investments are “blind pool” and ongoing reporting can be minimal information on the investments in the partnership</td>
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</tbody>
</table>

Benefits of Listed Private Equity

**Liquidity**
- No fixed investment term
- No capital calls
- No lockup periods
- Daily priced, daily NAV
- Can use in models

**Diversification**
- Manager
- Industry
- Geography
- Fund Vintage
- Stage of investment

**Low Fee Structure**
- Low management fees
- No performance fees

**Transparency**
- Access to underlying private investments
- Access to valuations and methodology

**Optionality**
- Main focus is 80%+ of portfolio in long-term direct PE investments
- Flexibility to add/remove and overweight/underweight holdings that may benefit from investment and harvest cycles

**Differentiation**
- Advisors can offer PE as part of their investment lineup and models
- Unique selling proposition vs. competition
Listed Private Equity NAV Growth is Similar to Traditional L.P. Private Equity ~ 94% Correlation

**NAV Growth – LPX 50 NAV vs. Preqin AllPE NAV**

- **NAV Growth – LPX 50 NAV vs. Preqin AllPE NAV 2003-2008**
- **NAV Growth – LPX 50 NAV vs. Preqin AllPE NAV 2009-2011**
- **NAV Growth – LPX 50 NAV vs. Preqin AllPE NAV Jun 2008 – Dec 2008**

| Private Equity Correlation Estimations with LPX50 NAV Index Dec 2002-Jul 2011 |
|-------------------------------|------------------|------------------|
| LPX50 NAV vs. PrEOIn           | Correlation      | Confidence Interval at 95% |
|                               | 0.9406           | 0.8834           | 0.9702 |

**NAV:** Net Asset Value - the value of a fund's assets minus the value of its liabilities.

**LPX50 NAV Index:** An international index covering the 50 largest and most liquid listed private equity companies measuring the fundamental valuations of these firms.

**Preqin AllPE Index:** A quarterly index for private equity which enables comparison of the performance of private equity funds against other asset classes.

Past performance is no guarantee of future results.
## Listed Private Equity Structures

<table>
<thead>
<tr>
<th>Direct Investment Companies</th>
<th>Fund-of-Fund (FoF) Companies</th>
<th>Management Companies</th>
<th>Business Development Companies (BDC’s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Generate returns through direct investments (equity) in private companies at all stages of development</td>
<td>• Generate returns through investments in multiple private equity funds</td>
<td>• Manage 3rd party capital that is invested in private equity deals</td>
<td>• Listed in US only</td>
</tr>
<tr>
<td><strong>Examples</strong></td>
<td><strong>Examples</strong></td>
<td><strong>Examples</strong></td>
<td><strong>Examples</strong></td>
</tr>
<tr>
<td>• Electra Private Equity (ELTA LN)**</td>
<td>• Harbourvest (HVPE LN)**</td>
<td>• Blackstone (BX)**</td>
<td>• American Capital (ACAS)**</td>
</tr>
<tr>
<td>• HGCapital Trust (HGT LN)**</td>
<td>• Pantheon International Participation (PIN LN)**</td>
<td>• Carlyle (CG)**</td>
<td>• Ares Capital Corp (ARCC)**</td>
</tr>
</tbody>
</table>

**Part of the Red Rocks Active Strategy as of 12/31/13

***Not part of the Red Rocks Active Strategy as of 12/31/2013
ONEX - Private Equity Manager Portfolio Details

As of 8/31/2014,
Source: Onex Corp. Subject to change.

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Our Approach to LPE Analysis

**Investment Universe**
300+ Companies with aggregate market cap of over $300 Billion

- Management Track Record
- Underlying Investment Valuation
- Historical Returns Analysis
- Macro Investment Themes
- Transparency
- Shareholder/Management Alignment

**Core Research List**
~ 100 Companies

- On-Site Due Diligence - Meetings With Management, Portfolio Companies
- In-Depth Portfolio Analysis – Age, Valuation Methodology, Liquidity Events
- Fundamental Analysis – Industry Contacts, Portfolio Company Contacts
- Valuation Mismatch – Net Asset Value vs Market Price

Red Rocks Portfolio

Portfolio is made up of firms with exceptional PE management teams, reasonable underlying valuations, and compelling future growth prospects within their portfolio

As of 8/31/2014.
Listed Private Equity vs. Broad Markets

Portfolio valuations are ultimately driven by the unique structure and return characteristics common to traditional private equity investments which average 5-10 years in duration.

Considering similar time frames illustrates the strategic nature of the Red Rocks strategy.

10-Year Annualized as of 6/30/2014*

<table>
<thead>
<tr>
<th>Index</th>
<th>Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>GLPE Index</td>
<td>9.60%</td>
</tr>
<tr>
<td>Russell 2000</td>
<td>8.66%</td>
</tr>
<tr>
<td>MSCI World</td>
<td>7.99%</td>
</tr>
</tbody>
</table>

Note: Returns are net of fees, expenses and carried interest. Sources: Red Rocks Capital, LLC, Frank Russell & Co., Bloomberg. These results cannot and should not be used as an indicator of future performance. GLPE performance prior to 9/2007 represents back-tested data. See back-testing and index notes in Additional Disclosures.
## Red Rocks GLPE Index Diversification

### Industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other-Industry</td>
<td>6.39%</td>
</tr>
<tr>
<td>Materials</td>
<td>2.98%</td>
</tr>
<tr>
<td>Telecom</td>
<td>1.82%</td>
</tr>
<tr>
<td>Utilities</td>
<td>0.38%</td>
</tr>
<tr>
<td>Energy</td>
<td>5.47%</td>
</tr>
<tr>
<td>Consumer Discretionary</td>
<td>10.52%</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>4.97%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>9.23%</td>
</tr>
<tr>
<td>Industrials</td>
<td>21.23%</td>
</tr>
<tr>
<td>IT</td>
<td>11.12%</td>
</tr>
<tr>
<td>Financial Services</td>
<td>17.89%</td>
</tr>
</tbody>
</table>

### Geography

- Europe: 47.1%
- North America & Canada: 49.3%
- Far East/Asia & Japan: 8.8%
- Australia & New Zealand: 4.0%
- South America: 0.4%

### Stage of Investment

- Late: 53.8%
- Mid: 31.8%
- Early: 7.9%

### Capital Structure

- Equity: 77.6%
- Debt: 22.4%
Important Disclosures

Listed Private Equity Companies are subject to various risks depending on their underlying investments, which could include, but are not limited to, additional liquidity risk, industry risk, non-U.S. security risk, currency risk, credit risk, managed portfolio risk and derivatives risk (derivatives risk is the risk that the value of the Listed Private Equity Companies derivative investments will fall because of pricing difficulties or lack of correlation with the underlying investment.

There are inherent risks in investing in private equity companies, which encompass financial institutions or vehicles whose principal business is to invest in and lend capital to privately held companies. Generally, little public information exists for private and thinly traded companies and there is a risk that investors may not be able to make a fully informed investment decision.

Listed Private Equity Companies may have relatively concentrated investment portfolios, consisting of a relatively small number of holdings. A consequence of this limited number of investments is that the aggregate returns realized may be adversely impacted by the poor performance of a small number of investments, or even a single investment, particularly if a company experiences the need to write down the value of an investment.

Past performance is no guarantee of future results and future investments have the potential for loss as well as profit. Index returns shown are not reflective of actual investor performance nor do they reflect fees and expenses applicable to investing. An investor may not invest directly in an index.
Additional Private Equity Index Disclosures

Red Rocks GLPE Index: The Index is designed to track the performance of private equity firms which are publicly traded on recognized exchanges worldwide. These results have been prepared by Red Rocks Capital from data believed to be reliable, but no representation is made as to accuracy or completeness. **Returns are based on a simulated index from October 1, 1995 to September 27, 2007 and an actual index from September 28, 2007 to Present.** Red Rocks Capital calculated the hypothetical results by taking a snapshot of the index as of September 28, 2007 and back-testing performance to October 1, 1995. The hypothetical performance results are back-tested and are shown for illustrative purposes only and do not represent decisions made by the adviser during the period described. Such results were compiled after September 27, 2007 and do not reflect the impact that material economic and market factors might have had on the adviser's decision-making if the adviser was actually maintaining the index during that time. Hypothetical back-tested performance has inherent limitations. It does not reflect actual market activity and it is not indicative of future results. The performance of the index for the period from September 28, 2007 to Present was actual. The results portrayed reflect the reinvestment of dividends and other earnings. The index included securities that track the performance of private equity firms that are publicly traded. Past performance is no guarantee of future results and future investments have the potential for loss as well as profit. Index returns shown are not reflective of actual investor performance nor do they reflect fees and expenses applicable to investing. An investor may not invest directly in an index.

Cambridge Associates, LLC U.S. Private Equity Index®: Based on data compiled from 858 U.S. private equity funds, including fully liquidated partnerships, formed between 1986 and 2009. Internal rates of return are net of fees, expenses and carried interest. Vintage year funds formed since 2006 are too young to have produced meaningful returns. Upper quartile are the thresholds for the upper (top 25%) and lower (bottom 25%) quartiles based on the individual fund IRRs included in a vintage year. Can be used in conjunction with the median to determine quartile placement.
For More Information

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Private Equity
Unparalleled Access, Exceptional Benefits