

Unlocking Returns in the Undervalued and the Novel

Lower Mid-Market, Evergreen PE

With proper income/equity sweep structures, LMM PE can provide yield, shorter duration, increased DPI and reduced reliance on terminal multiple expansion to drive returns versus traditional buy/hold PE.

Why Serial LMM Consolidations vs. Traditional Buy/Hold PE

		Serial LMM Consolidations	VS	Traditional Buy/Hold PE	
		20%+ IRR targets = Yield + Equity optionality		20%+ IRR targets = Equity optionality	
Distribution Capacity	High	Low acquisition multiples @ ~6X, high DPI	Low	High acquisition multiples @ ~12X, low DPI	
Multiple Expansion	Low	Lower absolute & relative exit multiples required @ ~8X	High	Higher absolute & relative exit multiples required @ ~18X	
Intrinsic Duration	Low	~4 year holds – verticals mature continuously	High	~10 year holds – single point terminal exits	
Macro Capture	High	Simpler to adjust portfolio construction over time	Low	Harder to adjust portfolio construction over time	
Leverage Usage	Low	Operate at ~3X	High	Operate at ~6X+	

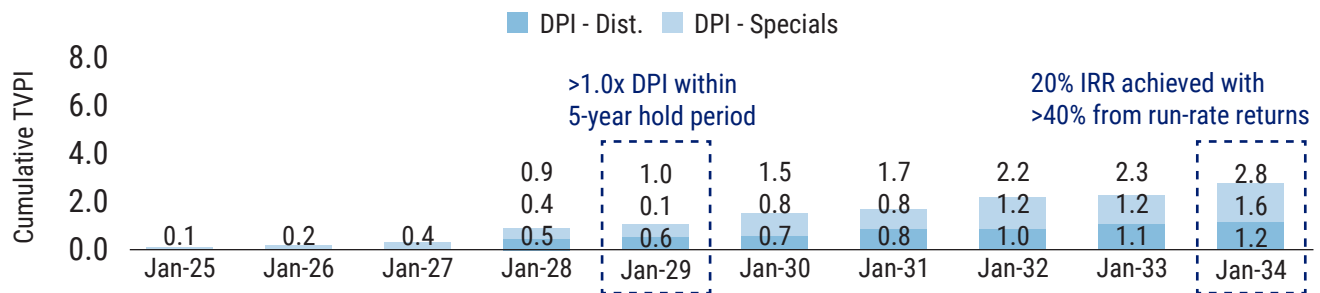
In an evergreen vehicle with income and gain sweeps serial LMM consolidation strategies have the same return potential as traditional buy/hold PE but higher DPI, shorter duration and greater liquidity.

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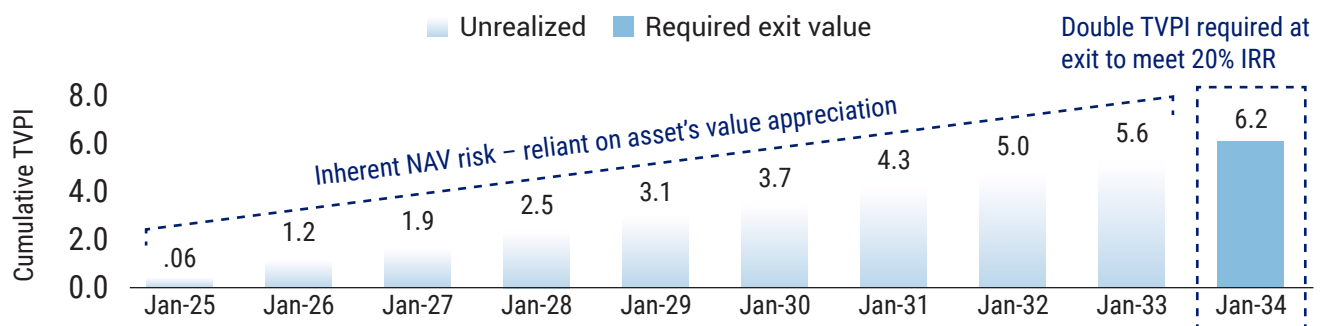
Growth requirements and DPI, evergreen LMM PE versus traditional closed-end buy/hold PE.

Serial LMM Consolidations:



Realized returns distributed on a **run-rate** basis – TVPI requires ~5% pa growth

Traditional Buy/Hold PE:



Returns driven through value appreciation – TVPI requires ~20% pa growth, realized at terminal exit.

Notes: Illustrative scenario assumes \$1.00 investment over 10-year period of January 2025 to January 2034. No adjustment assumed for inflation. Serial LMM case assumes annualized 12% distribution. RVPI means residual value to paid in capital measuring unrealized returns. DPI means distributions to paid-in capital measuring realized capital returned. TVPI means total value to paid-in capital measured as the RVPI and DPI value generated for invested capital.

Key Highlights

Serial LMM Consolidations:

- Reduced capital duration risk – short contractual holds
- Increased liquidity – increased capital recycling opportunity
- Limited reliance on growth – reduced sensitivity to valuations
- Flexible timing – re-risks market timing window

Traditional Buy/Hold PE:

- Gating Risk – assets marked to market at single terminal point
- Capital lock-up – paper returns up to exit
- Returns highly sensitive to terminal valuation – market/timing risk
- High duration risk – J-curve provides limited flexibility



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