

Private Equity

Buyouts

Major Trends

The buyout market stabilised in 2024 with a gradual lowering of interest rates and less volatility in broader private markets. We believe sponsors now have more clarity around the forward-looking deal environment and we anticipate a continuation of the trends observed over the last twelve months. These include strong earnings growth, higher transaction volumes and increased exit activity as buyer and seller expectations continue to converge. Nevertheless, we maintain our view that an economic paradigm shift is underway, and while debt markets have largely re-opened, persistently high interest rates and limited multiple expansion will likely constrain the broad-based industry beta that accounted for more than half of buyout returns over the past decade.¹

We believe that the best performing firms of the future will be those that generate the most earnings growth in their portfolio companies via organic and inorganic revenue growth and margin expansion, rather than leverage or multiple arbitrage. Many firms, in our view, have not yet developed the in-house operating capabilities necessary to succeed in this new paradigm. Notably, fundraising continues to be driven by record capital commitments to mega-cap funds – a segment of the market we view as particularly vulnerable to these market dynamics.

Our approach positions us to identify the firms that will deliver above-average outcomes. This approach is characterized by a broad sourcing strategy, a rigorous manager evaluation framework that emphasises both qualitative and quantitative attributes and proprietary tools and data that enables us to understand how managers create value.

Transaction volumes and exit activity normalized. Global buyout transaction volume and value increased by +12% and +22%, respectively, in 2024 – c. \$1.75T across over 19,000 transactions – as seller price expectations adjusted to the new market environment. There was clear bifurcation across sectors, with business, financial services and technology performing well, while industrials experienced their worst year since 2011 and healthcare remained 60% below its 2021 peak. Globally, exit activity increased by 20% to \$900B in 2024. We believe that the continued momentum around Private Equity transaction volume and exit activity will continue into 2025. Factors likely

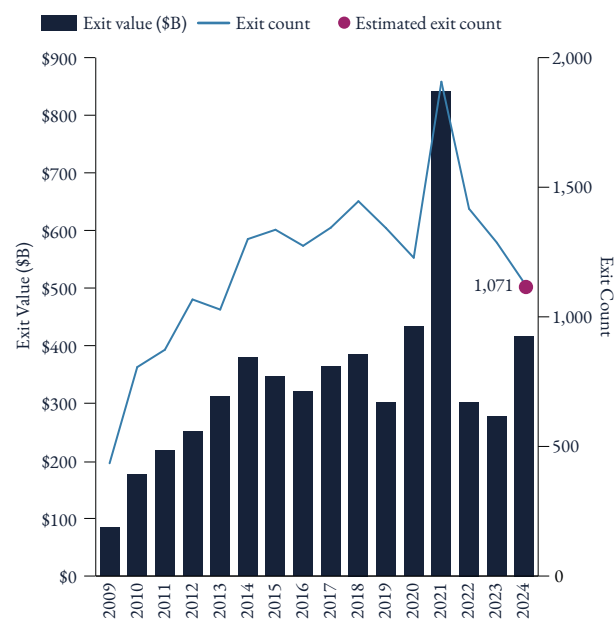
to drive a robust deal market in 2025 include the \$3.5T of dry powder, pressure on sponsors to generate liquidity for their investors, continued convergence of buyer-seller expectations and an improvement in financing conditions.²

Holding periods declined in 2024 as sponsors worked through their exit backlog. Deal activity decoupled sharply in 2022, with transaction value exceeding exit value by 3.1x in the US. This ratio improved to 2.0x in 2024 as deal volume and exit activity continued to recover. Deal activity in the US was strong at \$829B across c. 8,500 platform and add-on transactions, representing a 22% increase from the pre-pandemic peak.

The US led the rebound in exit activity, increasing by 50% to \$417B.³ We believe that sponsors will continue to work through their exit backlog, which saw positive momentum in 2024 evidenced by median exit holding periods declining from an all-time high of 7.0 years in 2023 to 5.8 years in 2024.⁴ The normalization of exit activity is shown in Exhibit 1.

Exhibit 1

2024 saw improvements in exit activity



Source: Pitchbook

2 PitchBook Q3 2024 Global Fundraising Report

3 Ibid

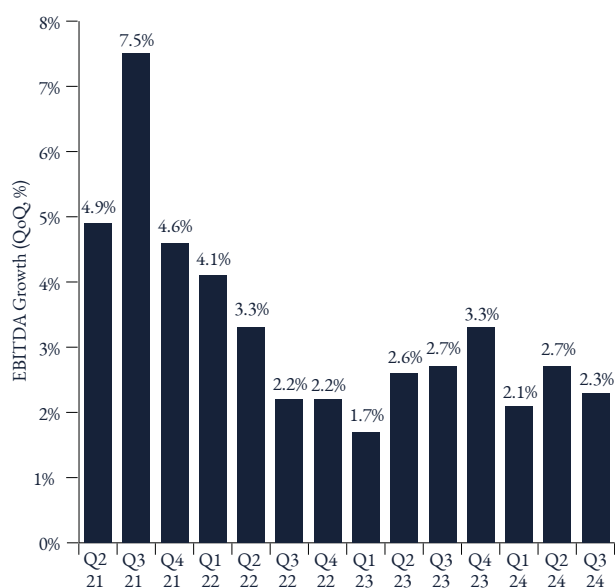
4 Ibid

1 DealEdge

Private equity-backed businesses continue to exhibit healthy operating performance. As we reported last year, US buyout assets have consistently generated earnings growth above that of the public markets. Since 2000, the median middle market business has seen EBITDA compound at c. 9% per annum relative to c. 6% for the Russell 2000. We view this as indicative of the fundamental durability of PE-backed businesses. Across a middle market sample of more than four thousand companies, PE firms have generated positive earnings growth in 19 of the past 20 quarters and between +1.7% and +3.3% EBITDA growth in each of the past 8 quarters (even while holding flat or marking down companies in each quarter since Q3 2021), as shown in Exhibit 2. Within the same sample, PE-backed businesses exhibited c. 11% EBITDA growth from Q3 2023 through Q3 2024, which compares to 13% growth in operating earnings for the S&P 500 over the same period. Despite comparable earnings growth, PE returns lagged that of the public markets driven by -4.3% multiple compression as shown in Exhibit 3. This contrasts with c. 25% multiple expansion of the S&P 500.

Exhibit 2

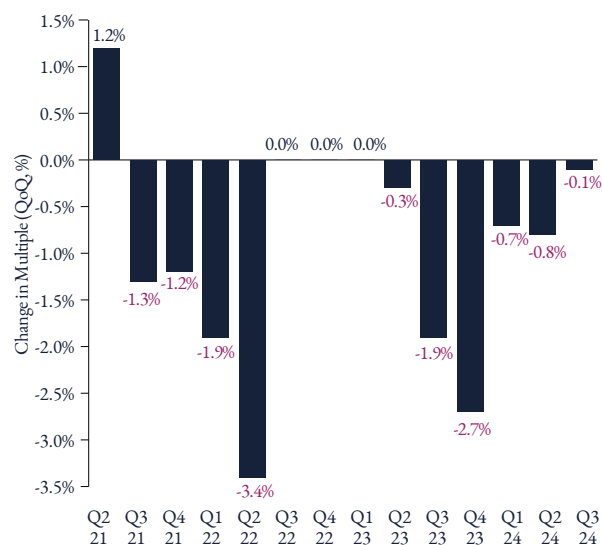
PE portfolio companies continue to generate strong earnings growth



Source: Lincoln International, Q3 2024 Private Market Index

Exhibit 3

PE portfolio company carrying values have seen 13 consecutive quarters of multiple compression



Source: Lincoln International, Q3 2024 Private Market Index

Purchase price multiples and leverage multiples stabilised and trended higher. After declining 15% from the peak in 2021, transaction multiples trended higher in 2024. Global PE transaction multiples increased c. 16% from a median of 11.2x EBITDA to 13.1x EBITDA. The headline data does not reflect what we see as a clear bifurcation across the Private Equity market. Median US large cap valuations have surged from 12x to 15x this year, well above the ten-year median of 12.2x. Conversely, lower middle market assets LMM⁵ remain consistently priced at 6-9x EBITDA, in line with the ten-year median of 8.5x. In Europe, multiples are up slightly by 10% from 11x to 12x, higher than the ten-year median of 10.5x.⁶ Equity contributions for buyouts remain elevated above 50% of total enterprise value after surpassing that threshold for the first time in over a decade in 2023 due to the continued impact of higher interest expenses and a tighter financing market, while leverage multiples increased c. 6% from 4.8x to 5.1x.⁷

⁵ LMM: businesses under \$200M TEV

⁶ DealEdge

⁷ Axios, Pitchbook LCD

Private Equity

continued

Mega-cap sponsors continue to drive fundraising, masking a challenging environment for emerging managers. Fundraising is taking longer but remains robust in terms of dollars raised, with fundraising in each of the last three years hovering between \$300B and \$400B.⁸ However, this number is disproportionately driven by mega-funds and obfuscates a challenging environment for emerging managers. The number of funds raised declined by -54% in 2024, or a -69% decline from the peak of 2022, an unprecedented drop and the lowest total number of funds raised in a calendar year in over a decade. Mega-cap funds (>\$5B) accounted for c.40% of capital raised, representing a record high percentage.⁹ Throughout the year, we continued to observe a barbell dynamic whereby the most attractive managers closed funds in less than six months while most others continued to struggle with multi-year fundraising timelines or failing to achieve their targets. The median time to close a private equity fund in the US in 2022 was 11 months; as of November 2024, the median fundraising time extended to 17 months, the highest on record since 2010. There are signs this dynamic is beginning to shift, as 29% of funds failed to achieve their target, representing an improvement from 34% in 2024.¹⁰

Golden Rules

1. Invest with managers who have demonstrated post-acquisition operational value-added capabilities.
2. Invest in lower middle market strategies where the greatest market inefficiency resides and where there is greater potential for asymmetric returns.
3. Invest with sector specialists who have competitive advantages in sourcing and value creation due to deep industry insights.
4. Invest with young, hungry teams trained by top-tier private equity firms or who are former business owner-operators.
5. Co-invest with those whom we believe to be best-in-class managers to increase returns through avoiding fees and carry, to mitigate the 'J-curve' and to concentrate exposure in what we view as exceptional investments.

8 Ibid

9 Ibid

10 Ibid

Sub-Strategy Attractiveness

Lower middle market (LMM) buyout: Favourable view. We believe earnings growth derived from revenue growth and margin expansion will be critical if PE firms wish to generate a consistent and compelling premium over public equities. LMM buyout investors have a greater opportunity to grow and stabilise the earnings of smaller companies that generally have not benefitted from professionalising management, cost rationalisation, investments in institutionalising processes (IT, sales and marketing, automation, etc.) or strategic M&A. We believe more deals in this segment can be sourced on an advantaged basis, reducing auction competition and purchase multiples. We also see a more durable opportunity for multiple arbitrage created from growing LMM companies into middle market companies, which can often be sold at higher multiples to larger buyout firms or strategic buyers. Since 2000, LMM companies have delivered higher earnings growth and top-quartile return potential, with comparable observed risk, as shown in Exhibit 4. LMM companies have grown earnings 60% faster than large/mega caps (8.1% vs. 4.9% p.a.), rely less on leverage or multiple expansion to drive returns (43% vs. 32% of value creation from EBITDA growth) and have stronger top quartile returns (+39.2% vs. +33.8%).¹¹ At the same time, North American LMM buyouts have had lower loss ratios and comparable or smaller drawdowns during major downturns. We believe this combination of higher earnings growth, top quartile returns and return contributions from operational improvements supports greater alpha potential through manager selection. We do note that LMM funds have a wider distribution of performance outcomes, are often led by less experienced investment professionals and in some cases focus on lower quality (margins, market share) companies.¹²

11 Deal level information sourced from Bain & Co DealEdge, consisting of C. 15k Unrealized and realized deals with value creation data between 2000 and 2021. LMM as <\$200M of TEV, MM as \$200-500M of TEV, large cap as \$500M-1.5B, and mega cap as >\$1.5B. Accessed as of Jan 2025 with Q3 2025 data

12 Ibid

Large market buyout (Large and Mega Cap Buyout):

Cautious view. We continue to believe that the combination of lower availability of debt, high levels of competition among PE firms, and limited anticipated multiple expansion fundamentally alters the math of a large cap LBO. Despite the secular headwinds in the space, we do believe select large cap buyout managers – both generalist and specialist – can play a role in portfolios, specifically 1) greater levels of experience in both stronger and weaker markets, 2) higher organisational stability / lower levels of key person risk, 3) in our view, improved recession resilience, given they are generally higher quality assets (defined by margins, customer concentration, and market position) and 4) what we view as a stabilising effect as they exhibit meaningfully less dispersion than LMM funds (15.2% interquartile range for the LMM versus 8.8% for mega cap and 11.0% for large cap).¹³ However, given the headwinds, we expect to make only limited commitments going forward.

Distressed/turnaround: Cautious view. We prefer to allocate to complex situations generalist buyout managers through market cycles to obtain comparable exposure. We believe these managers can flexibly invest into restructuring/turnaround investments in a cyclical dislocation but have generated far stronger performance in solid and strong markets. Distressed debt has generated returns ahead of buyouts in certain periods of pronounced market dislocation (e.g., 2007-2010).¹⁴ However, distressed debt has underperformed c. 80% of vintages raised since 2000, and in the vintages it has underperformed, it has lagged broader buyouts by c. -6% per annum).¹⁵

Growth equity: Positive view. (Upgraded from neutral view). We define growth equity narrowly, with three core criteria: 1) non-control or control investments in high-growth tech or tech-enabled companies that are breakeven or approaching profitability (i.e., companies that sit between late-stage venture capital and buyouts), 2) focus on first institutional capital opportunities sourced through proprietary and/or proactive sourcing

and 3) a value creation approach more equivalent to buyout than VC (hands-on engagement by dedicated operating professionals). We view growth equity (particularly in tech companies) as an attractive risk-reward opportunity, as they do not have the capital requirements of higher growth venture-backed companies or the debt burden of software buyouts. Tech Growth Equity has been a clear outperformer post-GFC, with an aggregate gross return of +26.5% vs. +25.4% for tech buyouts and +21.3% for buyouts in general.¹⁶ Moreover, we believe the disruptive potential of AI represents a possible tailwind, acting as an additional catalyst for top-tier sponsors to accelerate growth and margin improvement at portfolio companies.

LP Secondaries: Neutral view. Average discounts in private equity secondary transactions tightened over the past year, from 15% in 2022 to 12% in 2024. This is broadly consistent with the longer-term average of 11% (2018-2024). This datapoint does not capture the considerable variability between strategies. Venture Capital secondaries transacted at an average discount of 30% vs. the longer-term average of 24%. Real Estate also traded wider than longer-term averages, at an average 26% discount vs. 22% historically. On the other hand, pricing for Buyout transacted at an average 6% discount, marginally tighter than the longer-term average of 8%. Industry dry powder (including access to credit facilities) relative to annual deal volume stands at 1.8x, below the average of 2.2x since 2018.¹⁷ We expect secondary deal volume to continue increasing due to the growth of assets in mature private equity funds, and the increasing familiarity of both GPs and LPs with the secondaries market.¹⁸ We believe the environment is attractive for certain targeted secondaries strategies (for example, tail-end secondaries). However, with pricing for the largest and most competitive segment of the market – mid-to-late life buyout funds – elevated relative to historic levels, we are cautious on strategies targeting these interests.

13 State Street Buyout Index; Interquartile range defined as the difference between the top quartile return and third quartile return

14 State Street Buyout Index; State Street Distressed Index; as of 30 June 2024

15 Ibid

16 Deal level information sourced from Bain & Co DealEdge, consisting of C. 16k Unrealized and realized buyout and growth deals with performance data between 2009 and 2021. Accessed as of Jan 2025 with Q3 2025 data

17 Ibid

18 Ibid

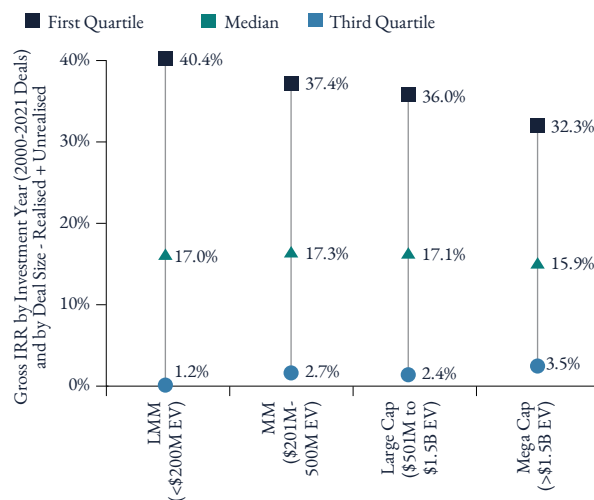
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GP-led Secondaries: Neutral view. The GP-led secondaries market continued its strong growth trajectory in 2024. Lazard estimates that there was \$72B of GP-led transaction volume in 2024, exceeding the prior record of \$63B in 2021. Most deals continue to close at par value, i.e., in line with the GP’s prior carrying value for the assets. 72% of deals priced at 95% of NAV or higher. The market continues to mature, and investors have converged upon certain favoured terms, including GP alignment through carry rollover, reduced management fees and tiered carry. We believe GP-led secondaries can play a role in private equity portfolios, providing exposure to mature private equity-owned businesses, typically with shorter duration and less J-curve than a new private equity transaction. We are cautious that the market continues to attract new entrants, including traditional buyout firms such as Leonard Green. However, with growing GP utilisation of this market, we believe there will continue to be attractive opportunities for investors with a differentiated focus, such as the lower mid-market, which remains an underpenetrated segment of the market.

Hypothetical return expectations are based on simulations with forward looking assumptions, which have inherent limitations. Such forecasts are not a reliable indicator of future returns.

Exhibit 4b

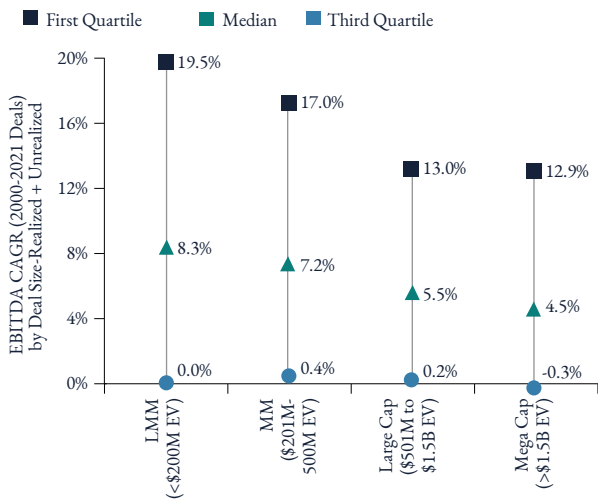
...and greater scope for manager alpha (top quartile return potential...



Source: Bain DealEdge

Exhibit 4a

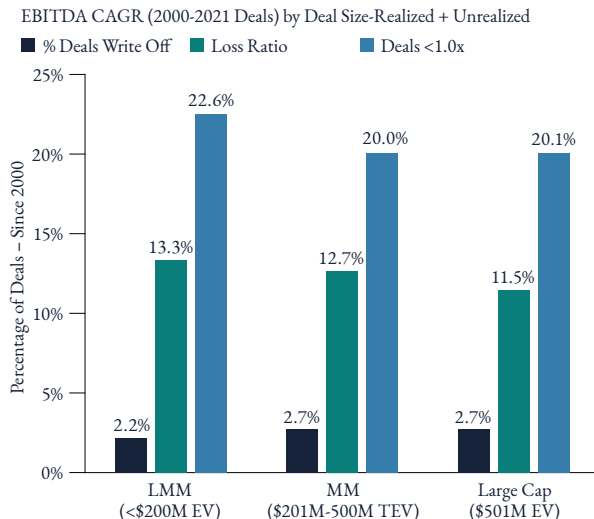
LMM / MM buyouts have c. 4% higher per annum EBITDA growth than Mega Cap deals or public markets...



Source: Bain DealEdge

Exhibit 4c

...without meaningfully higher levels of observed risk



Source: Bain DealEdge

By Strategy

Complex situations buyout (LMM / MM): Favourable view. Within the lower middle market / middle market, we retain our conviction in our ‘buy complexity’ theme articulated in 2022. We define these situations where weak operating performance, capital intensity, or process dynamics (e.g., broken auctions, mispositioned businesses) enable PE sponsors to acquire fundamentally strong businesses at discounted valuations. Within our ‘buy complexity’ theme, we have a favourable view of both value-focused and ‘growth at a reasonable price’ managers. These managers are typically overweight ‘old economy’ end-markets (industrials, consumer, and business services), but we have selectively allocated to technology and healthcare managers with this approach. In a sample of c. 1,300 LMM / MM deals acquired for <7x EBITDA with <20% EBITDA margins at entry, median gross returns were +24.5%, more than +8% higher than the broader market.¹⁹ The core opportunity in this space is asymmetric return relative to risk by improving underperforming companies, achieving a multiple re-rating with high levels of gearing enabled by lower entry prices. Despite comparable rates of write-offs/impairments, a top quartile deal generates a +55.7% gross return versus +34.5% for the broader market.²⁰

Sector specialists: Favourable view. We continue to believe that specialist capabilities in sourcing, due diligence and post-acquisition value creation will lead to the acquisition of higher quality companies with higher earnings growth potential, which we believe to be particularly important in the current environment. Our specialist allocations target five sectors: technology, healthcare, industrials, consumer and energy transition. We have a particularly favourable view of technology, healthcare and energy transition specialists. For technology, we continue to believe in 1) outsized end-market growth in software and 2) the advantage of portfolio group driven value creation in the category. In healthcare, provider and payor businesses (c. 50% of the market) are under regulatory pressures, but we see clear advantages of specialism, demographic tailwinds and significant opportunity persisting in LMM companies across categories such as value-based care, life sciences outsourcing, healthcare IT and the biopharmaceutical supply chain. We also believe there are strong secular tailwinds behind the ‘mega trend’ of industrial decarbonisation. Given this trend is well known and potentially crowded from an investment perspective, we prefer to invest in second order beneficiaries providing the products, services and technologies (e.g., battery and energy storage, grid infrastructure and components, services to wind and solar energy providers) enabling the broader energy transition rather than investing directly in wind, solar, or other direct renewable energy products.

By Region

US Buyout: Favourable view. We continue to prioritise US buyouts given what we view as more able supply-demand dynamics around innovative technology and healthcare deals, as well as a larger total addressable market and a more actionable emerging manager pipeline.

¹⁹ Ibid

²⁰ Ibid

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continued

European buyout: Neutral view. Post-GFC, Europe LMM investments have generated lower median returns (+11.6% gross versus +18.7% gross in North America) and lower top quartile returns (+28.1% versus +41.9%) with greater probability of impairment (28.4% of deals marked at <1x MOIC versus 16.6%).²¹ However, given the valuation reset and the continued growth of LMM fund offerings, we see a sufficient opportunity set to find two to three managers per year who we believe to be top tier and aligned with our core themes.

Asia/emerging markets buyout: Cautious view. We believe we can generate comparable or better returns in US or European buyouts with less currency, regulatory, and/or geopolitical risk. There are specific sub-segments, such as value-oriented generalists investing in Japan and growth equity firms based in India, where we continue to opportunistically evaluate allocations.

2025 Strategic Priorities

- **Prioritise buyout firms with extraordinary operating (PAOVA) capabilities.** We will retain our longstanding focus on identifying and investing in managers with demonstrated success in driving operational improvements in their portfolio companies, leveraging our 10+ years' experience sourcing and evaluating those managers that we believe truly excel in this area. Over the past decade, we estimate that we have completed c. 100 assessments of post-acquisition operational value add (PAOVA), and we leverage a data base with >45k companies to derive what we view as proprietary insights into manager effectiveness in this area. As other LPs become increasingly interested in this

skillset, we must ensure that Partners Capital is top tier in identifying those rare managers with the greatest ability to generate PAOVA and in being a value-added partner to those GPs. We most commonly identify managers with strong PAOVA capabilities in the lower middle market and sector specialists in technology, healthcare, business services and industrials.

- **Exploit the current environment to gain access or increase allocations to managers with scarce capacity.** We believe that fundraising headwinds will persist for managers in our target sectors. We are actively working to source new relationships with 1) high-performing managers who were previously capacity constrained or 2) high-potential emerging managers. We believe most of these managers will either be sector specialists in our five core verticals (technology, healthcare, industrials, consumer, and energy transition) or value-oriented LMM buyout managers. We aim to invest in at least three high conviction emerging managers each year, focusing on opportunities where we can be a top five investor and support our firmwide goal of normalising the frequency and scope of client cutbacks.
- **Co-invest alongside high-conviction managers in the sub-sectors and value-creation strategies in which they excel.** We plan to further increase our co-investments primarily alongside high conviction investors with whom we have made a fund commitment. We constantly work to increase deal flow by positioning Partners Capital as the co-investor of choice in an environment of consolidating sources of capital, as well as proactive engagement with intermediaries and non-approved sponsors. Co-investing provides an excellent source of returns by increasing our exposure to what we believe to be top buyout assets and managers in a fee-advantaged manner. In addition, co-investing strengthens our primary funds program by deepening our insights into managers' diligence approach and analysis in live transaction situations.

²¹ Bain DealEdge; LMM defined as deals < \$200M of total enterprise value at entry; includes realized, partially realized, and unrealized investments made between 2009 and 2021

- **Bring our US buyout playbook to Europe.** Our US buyout portfolio is organised around two core archetypes: 1) lower middle market generalists (often with a value orientation) and 2) sector specialists in specific verticals, both with high conviction PAOVA capabilities. Our Europe portfolio has historically been more concentrated in upper middle market or large cap generalists that could invest across geographies and sectors. We now see a growing opportunity in Europe to invest in LMM generalists and specialists with strong PAOVA capabilities as the market has matured and our sourcing has deepened. Themes we are particularly excited about include:
 1. Spinouts of approved sponsors executing comparable strategies at smaller equity investment sizes.
 2. Generalists focused on value-oriented industrials and business services across geographies.
 3. Industrial decarbonisation funds and those executing PE-like approaches to infrastructure.
 4. Software in the Nordic, Benelux, and DACH regions.
- **Revamp Our Technology Portfolio.** Given the competitive advantages of scale in software, we historically focused our technology specialist portfolio on larger enterprise software specialists. These managers tend to focus on vertical market leaders and are top contributors to our co-investment program. Our current view is that smaller managers, as well as growth equity managers, are better positioned to accelerate earnings growth at their portfolio companies. LMM and MM technology managers have generated a pooled gross return of +29.4% versus +25.3% for large cap and mega cap, with +6% higher top quartile returns.²² Over the past 18 months, we have made commitments two middle market technology specialist and one lower middle market technology growth buyout specialist. For 2025, we plan to sustain our efforts to revamp and diversify our technology portfolio. Given the disruptive potential of artificial intelligence to drive dispersion of results across technology specialists, we also plan on focusing our diligence, in part, on finding managers best positioned to leverage the technology to augment their value creation capabilities.

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Any projections, market outlooks or estimates in this material are forward –looking statements and are based upon assumptions Partners Capital believe to be reasonable. Due to various risks and uncertainties, actual market events, opportunities or results or strategies may differ significantly and materially from those reflected in or contemplated by such forward-looking statements. There is no assurance or guarantee that any such projections, outlooks or assumptions will occur.

Certain transactions, including those involving futures, options, and high yield securities, give rise to substantial risk and are not suitable for all investors. The investments described herein are speculative, involve significant risk and are suitable only for investors of substantial net worth who are willing and have the financial capacity to purchase a high risk investment which may not provide any immediate cash return and may result in the loss of all or a substantial part of their investment. An investor should be able to bear the complete loss in connection with any investment.

All securities investments risk the loss of some or all of your capital and certain investments, including those involving futures, options, forwards and high yield securities, give rise to substantial risk and are not suitable for all investors.

Private Investment Fund Risk

Investors should be aware that investments in private investment funds involve a high degree of risk. Investors could lose the entire amount of their investment or recover only a small portion of their investment if the fund suffers substantial losses. The principal risk factors associated with an investment include the following. Please refer to Private Placement Memorandums of funds for full disclosure of risk factors:

Market & Economic Risk – Changes in factors like interest rates, inflation, monetary policy, economic growth, investor sentiment, time horizons and exogenous events (like terrorism or pandemic) can undermine the investment strategy temporarily or for a long period.

Currency Risk – Investors will be subject to currency market risks associated with fluctuations in the value of the foreign currencies in which their investments are denominated. Dramatic fluctuations could have an adverse impact on the profitability of the client account.

Availability of Investment Opportunities – Identification of investment opportunities involves a high degree of uncertainty and is based on a subjective decision making process and there is a risk that opportunities will not achieve targeted rates of return.

Counterparty Risk – Investor's assets may be exposed to the credit risk of the counterparties with which, or the dealers, brokers and exchanges through which, Partners Capital deals, whether in exchange-traded or off-exchange transactions.

Limited Operating History – Certain private funds have no operating or performance history for investors to consider and there is no guarantee the fund's investment strategy will be successful.

Limited Diversification – Private funds are not limited in the amount of capital that may be invested in one industry, sector, geography or similar category of asset class. Non diversification would increase the risk of loss if there was a decline in the market value of any security or category of asset class in which a private fund has invested a large percentage of their assets.

Limited Liquidity Risk – Many investments are not readily liquid, and may lock up capital for several years. Investors may be unable to dispose of investments at the most advantageous time because of limited withdrawal rights, which could result in significant loss of capital.

Limited Regulatory Oversight – Private companies are not likely to be Regulated Investment Companies. Investors may not be provided various protections offered to more regulated or registered funds.

Management Fraud – Investment managers can commit fraud. It is our job to try and avoid those that appear to have the potential to commit fraud or otherwise misappropriate client funds but it is not always ascertainable from any amount of due diligence.

Operational and Organisational Risk – All asset managers bring some risk that they will fail to execute their investment strategies effectively. Past performance is not indicative of future results.

Multiple Level of Fees Risk – Paying excessive fees is a significant risk in any asset class. Investment management fees and performance fees are sometimes charged by both Partners Capital and the Manager used. Investors might bear multiple levels of fees.

Disclaimer

Private Investment Fund Risk

continued

Valuation Risk – Valuation of the securities and other investments may involve uncertainties or judgmental decisions. Independent pricing information may not always be available.

Side Letters – Private funds may enter into agreements (“Side Letters”) with certain prospective or existing investors, under which those investors receive advantages.

Hedging Transactions – While the use of hedging techniques can reduce the risks associated with particular investments, the transactions themselves entail risks. If there is an imperfect correlation between a hedging instrument position and a portfolio position that is intended to be protected, the desired protection may not be obtained, and result in greater risk of loss.

Derivatives – Risks include but are not limited to: changes in the market value of securities held, and of derivatives relating to those securities, might not correlate perfectly; the market to sell a derivative could be illiquid; certain derivatives magnify the extent of losses incurred; and derivatives traded over the counter are subject to counterparty credit risk.

Small Capitalisation Stocks – Securities of small capitalisation/financially distressed companies tend to be more volatile than the securities of larger and more stable companies. The securities of such companies are generally less liquid.

High Yield Securities – Funds may invest in high yield bonds that are more risky than investment grade bonds. Yields and prices of high yield securities may be more volatile. Lower rated securities may include securities that have the lowest rating or are in default, so involve risks in addition to those associated with higher-yield securities (i.e. high degree of credit risk).



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