



Fundraising Innovations in Private Markets

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Kroll Bond Rating Agency, LLC

KBRA Overview

Offices

KBRA has 400+ employees in New York, Maryland, and Pennsylvania. KBRA Europe has 16 employees in Dublin and KBRA UK has 18 employees in London.

Certifications

KBRA

- Registered as an NRSRO with the SEC
- Designated as a DRO for Structured Finance products by the OSC
- Designated as a Credit Rating Provider by the NAIC
- Accepted by the BMA
- Recognized as an ECAI by OSFI
- Recognized by the USDA's Rural Utilities Service
- Accepted by the Department of Transportation

Sector Coverage

- ABS
- CMBS
- Corporates
- Financial Guaranty
- Financial Institutions
- Funds
- Insurance
- Project Finance
- Public Finance
- REITs
- RMBS
- Sovereigns
- Structured Credit (CLOs)

(DOT) & TIFIA

KBRA Europe

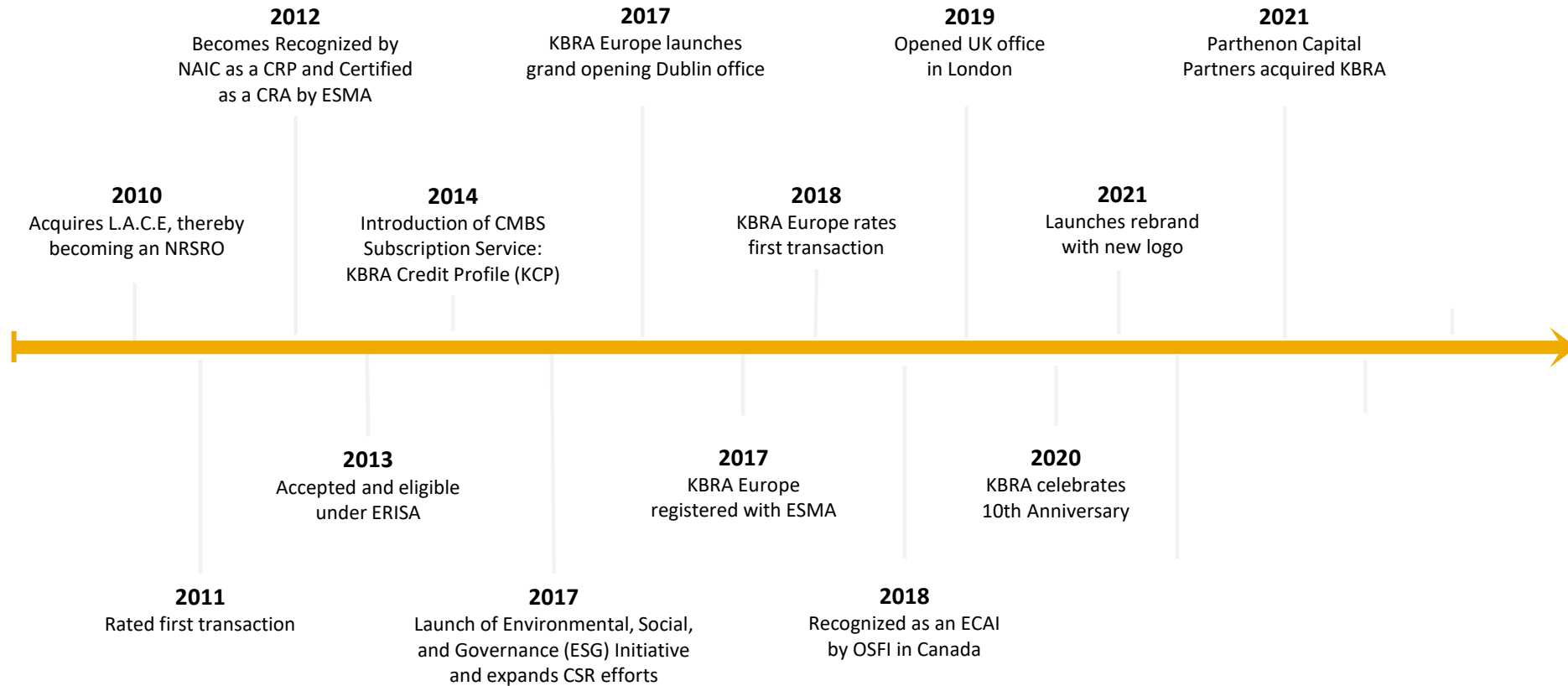
- Registered as a CRA with ESMA
- Recognized as an ECAI by the EBA

KBRA UK

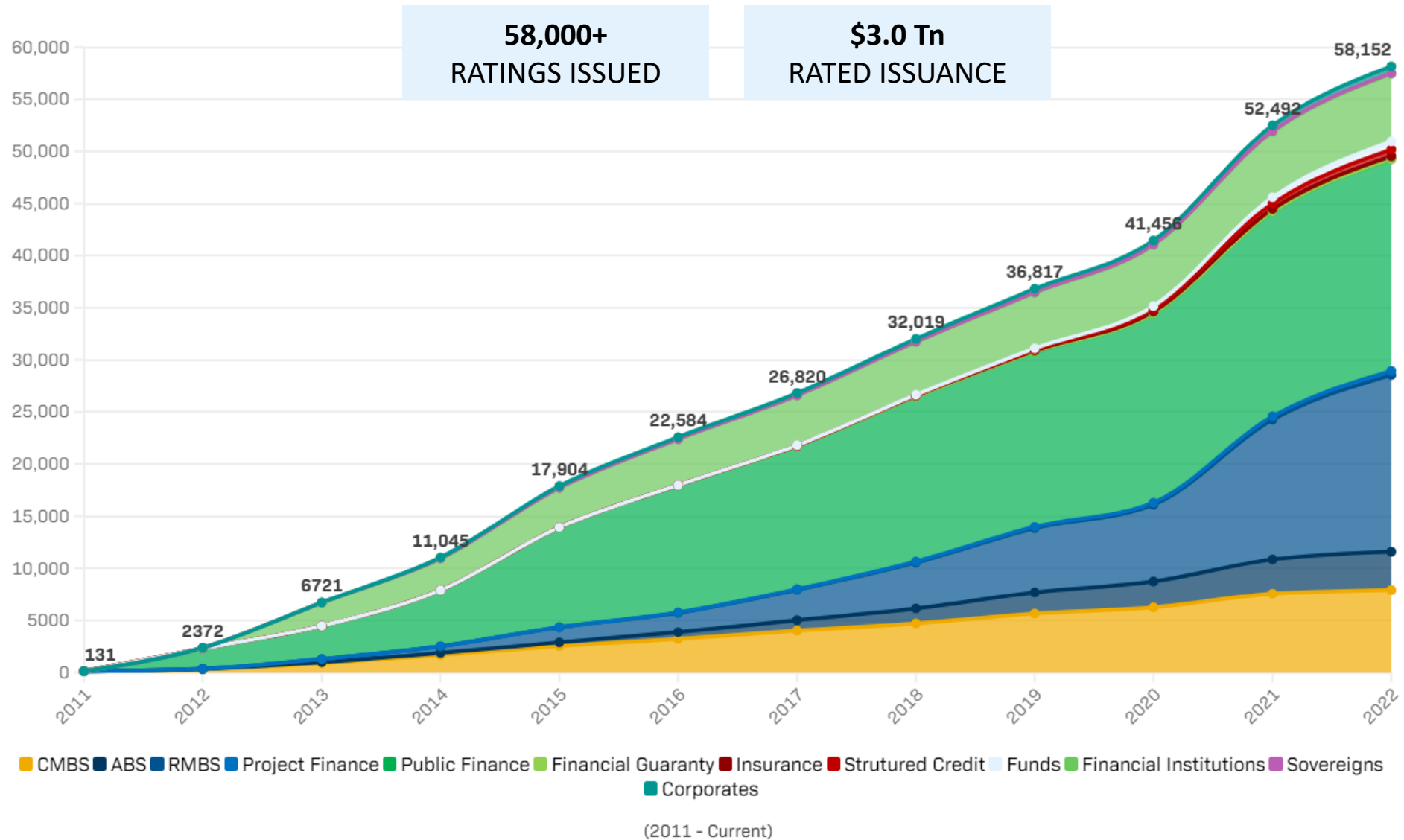
- Temporary registration with the Financial Conduct Authority to undertake the business of a credit rating agency



Company Timeline



KBRA Ratings Growth



As of 6/2022



Funds Overview



Funds - Purpose, Structure, And Collateral

Fund Finance

Fund Investment

Collateralized
Fund Interests

Sponsor
Balance Sheet

PPN's

Secured Notes

Senior/Sub

OBS Debt

Etc.

COLLATERAL

Private Equity

Consumer Loans

Middle Market
Syndicated Loans

Infrastructure Debt

Secondaries

CMBS

Middle Market Direct Loans

Life Settlements

LP Uncalled Capital

GP Carried Interest

GP Management Fee's

GP Co-Invest

Corporate Credit



Funds - Recent Transaction Types

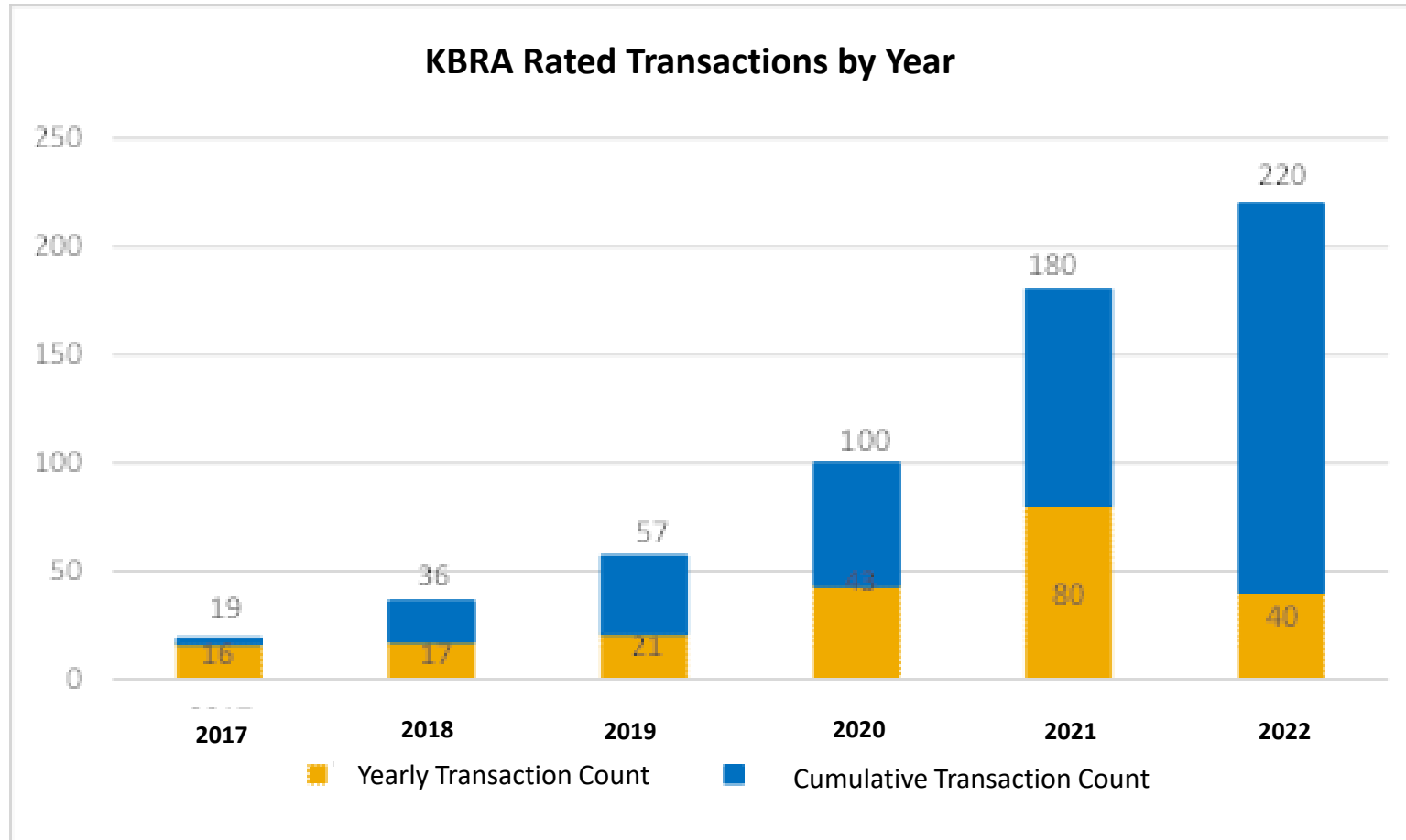
Fund Finance	Fund Investment	Collateralized Fund Interests	Sponsor Balance Sheet
<ul style="list-style-type: none">LP wants to be the fund's liquidity provider and replace bank lender.Secured by portfolio assets and by undrawn LP capital.	<ul style="list-style-type: none">LP seeks to invest in a new debt fund.Propose to design the investment as a fixed coupon note.	<ul style="list-style-type: none">Investor holding >100 diversified LP interests, sells future realizations to an SPV.Propose to sell tranches of notes.	<ul style="list-style-type: none">GPs wanting to convert balance sheet assets into cashPropose to sell fixed coupon notes secured by management fees, carried interest, and/or co-invest realizations

KBRA Investment Fund Debt Rating

The vast majority of our work in the funds space falls into the category of a full rating under our Investment Fund Debt Methodology. This rating provides for the full regulatory benefit of a rating under our standard rating scale. Today, most of our clients select this, because regulatory recognition (notably by the NAIC) is desirable for investors.

Analysis of the collateral's ability to generate cash flow to support ongoing debt service requirements is a central feature of KBRA's risk analysis. The purpose of the debt is also an important perspective for our analysis. As appropriate, KBRA's analysis of investment fund debt may integrate other KBRA rating methodologies to address specific transaction structures, operational features or asset composition.

Funds – Rated Transaction Growth



**4 of the total ratings are '40 Act Funds*

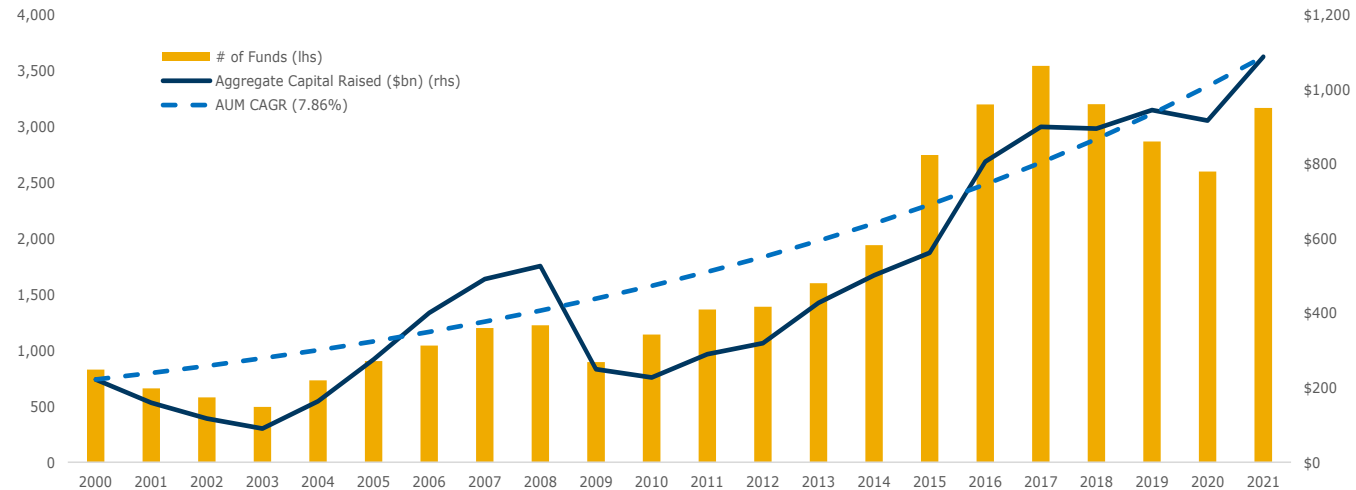
***Includes transactions waiting to close*

*Updated as of 1/2022



Private Capital Growth Well Exceeds Public Markets

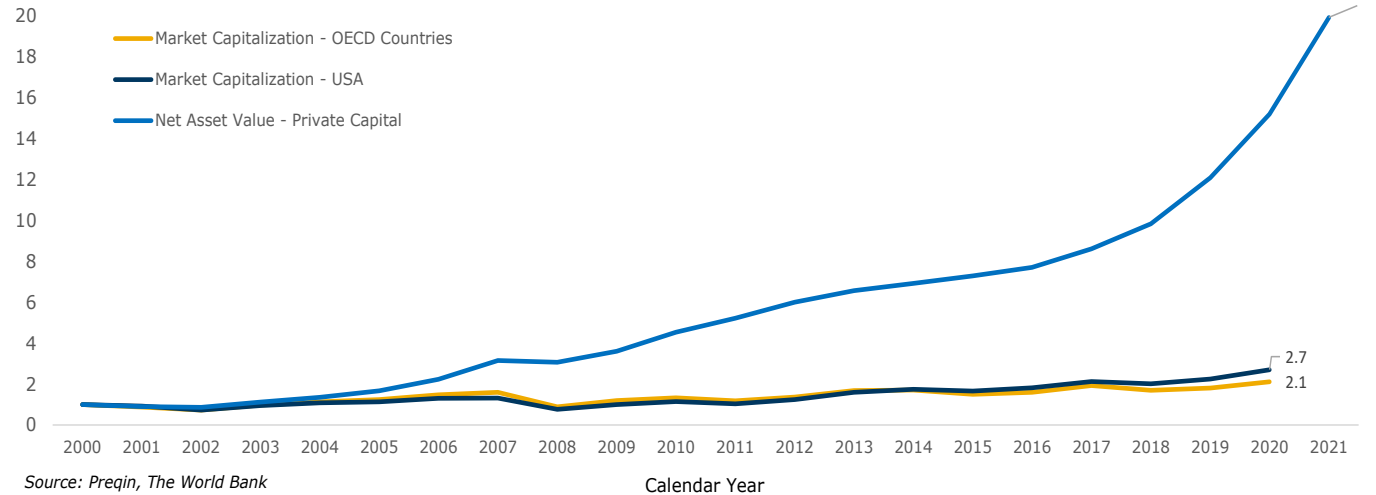
Annual Private Capital Fundraising
CY 2000-2021



Source: Preqin

Private Capital Growth vs. Public Market Capitalization

Indexed Growth: 2000-2020

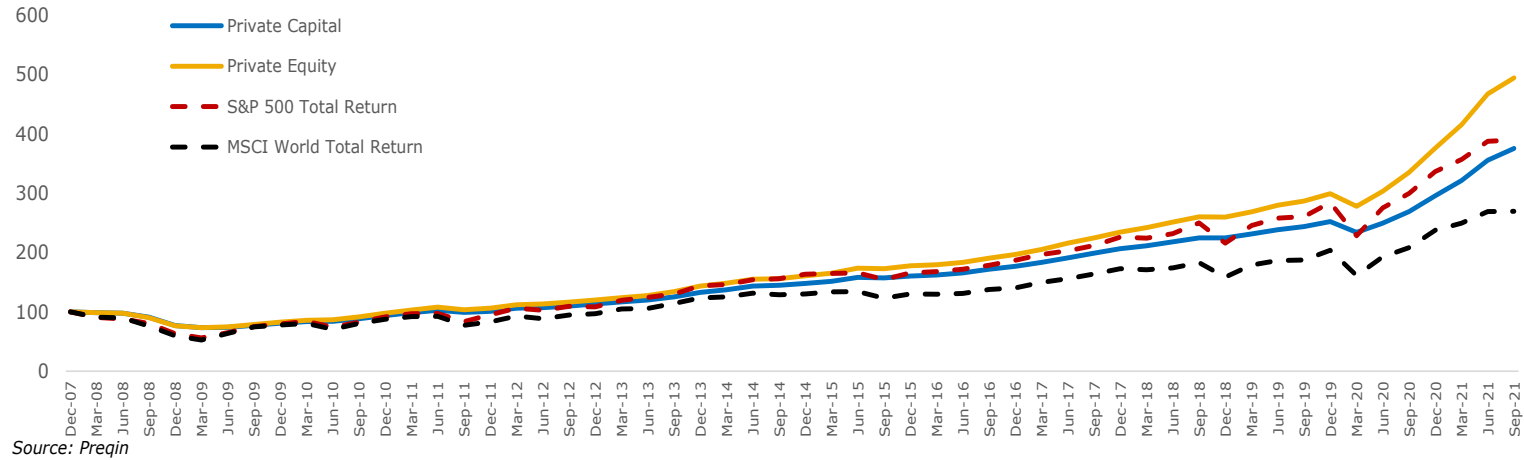


Source: Preqin, The World Bank

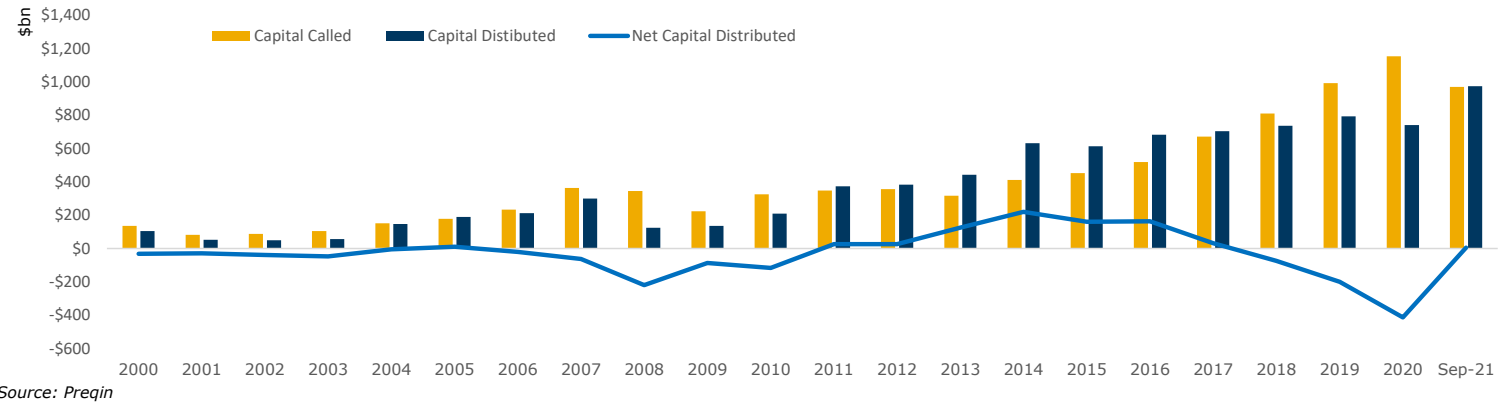


Strong Performance Yields Greater Capital Investment

Total Return Comparable to Market Benchmarks



Deployment Pace



Drivers for Innovation?

Lender Constraints

- Balance Sheet Limitations
- Uncorrelated Private Capital Growth
- Regulatory/ Structural Constraints

Investment Capacity

- Fundraising Outpacing Realization Timing
- Traditional LPs Need Capital to Re-Deploy

Liquidity

- Private capital duration requires liquidity solution
- Structural solutions to preserve additional upside

Efficiency / Expansion

- Alternate capital sources
- Expansion of investor base



Solutions?

Lender Constraints

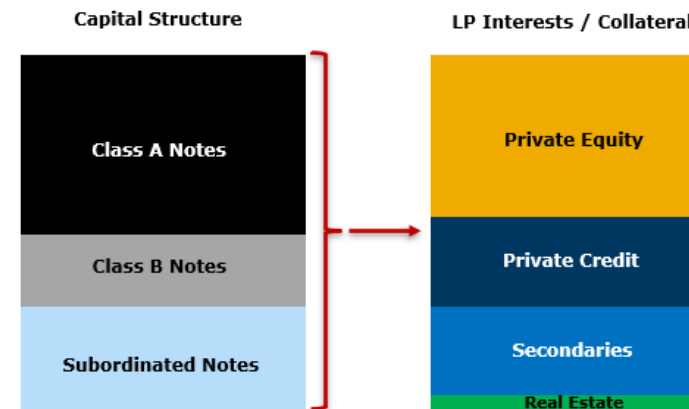
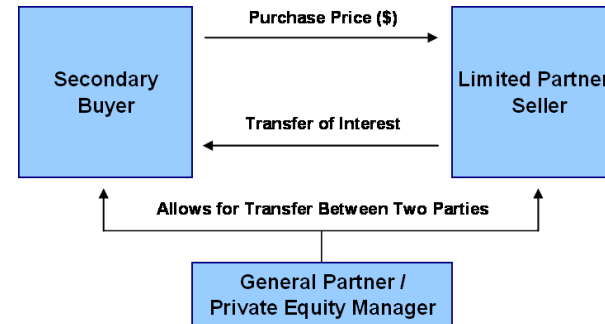
- Syndication
- Participations

Investment Capacity / Liquidity

- Expansion of Secondaries Market
- Preferred Equity Solutions
- Alternative Leverage Providers
- Co-Investments

Efficiency / Expansion

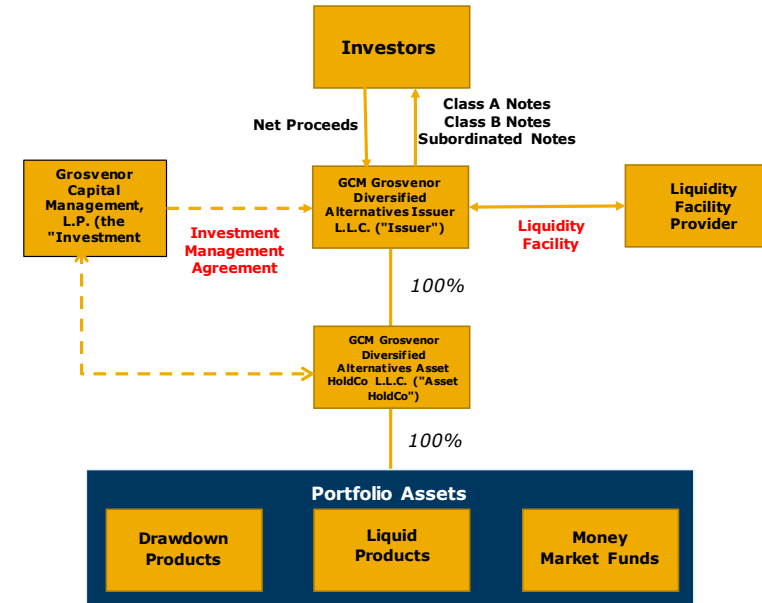
- Collateralized Fund Obligations
- Rated Notes



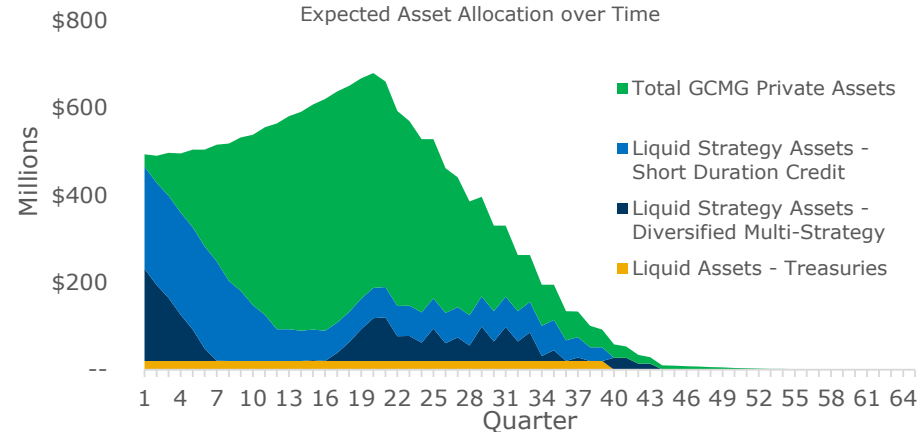
Case Study: GCM Grosvenor Diversified Alternatives Issuer LLC

Transaction Summary	
Issuer	GCM Grosvenor Diversified Alternatives Issuer LLC
Issuance Amount	Liquidity Facility: \$75 million
	Class A Notes: \$250 million
	Class B Notes: \$75 million Class C Notes: \$50 million
Coupon	Liquidity Facility: 3mL + 2.10%
	Class A Notes: 4.25%
	Class B Notes: 6.00% Class C Notes: 7.00%
Stated Maturity Date	2041
Use of Proceeds	Commit and invest capital into Grosvenor-managed closed-end funds

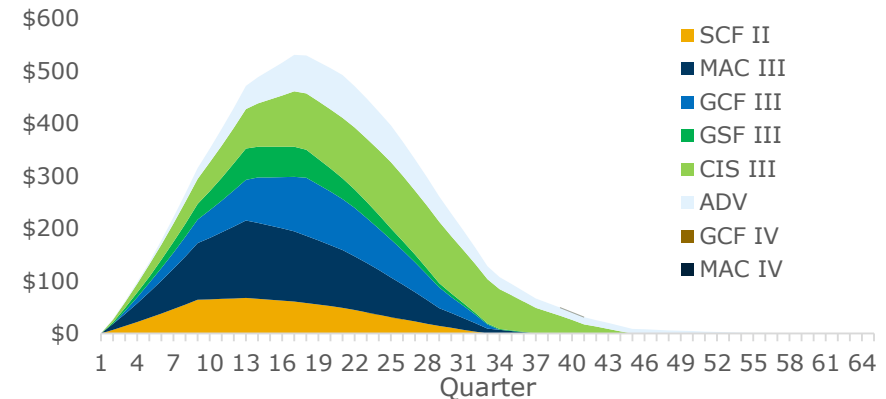
Summary of Drawdown Products and Expected Performance					
Fund	Strategy	Expected Commitment	% of Initial Commitment	Expected Net MOIC	Expected Net IRR
GCM Multi Asset Class Fund III (MAC III)	Multiple	\$135,000,000	24.3%	2.00	23.2%
GCM Co-Invest Fund III (GCF III)	Private Equity	\$100,000,000	18.0%	1.90	18.7%
GCM Customized Infrastructure Strategies III (CIS III)	Infrastructure Equity/Debt	\$100,000,000	18.0%	2.00	13.8%
GCM Advance Fund (ADV)	Private Equity FOF	\$85,000,000	15.3%	1.80	17.6%
GCM Secondary Opportunities Fund III (GSF III)	Secondaries	\$77,500,000	14.0%	1.52	21.4%
GCM Strategic Credit Fund II (SCF II)	Private Credit	\$57,500,000	10.4%	1.70	13.3%
Total		\$555,000,000		1.85	18.6%



GCM Grosvenor Diversified Alternatives Issuer L.L.C.
Expected Asset Allocation over Time



GCM Grosvenor Diversified Alternatives Issuer L.L.C.
Expected Asset Allocation over Time



Summary of Key Ratings Considerations

Asset Quality

- LP interests in closed end fund vehicles that largely consist of equity or equity-like investments

Asset Coverage

- Asset coverage on the Class A Notes is 200% (50% LTV), asset coverage on the Class B Notes is estimated to be 154% (65% LTV) and asset coverage on the Class C Notes is estimated to be 133% (75% LTV)

Liquidity

- Largely illiquid profile of private LP interests which inherently carry low price discovery and generally more complexity. The allocation to Liquid Assets carry a strong liquidity profile given the assets are publicly traded and carry strong price discovery.

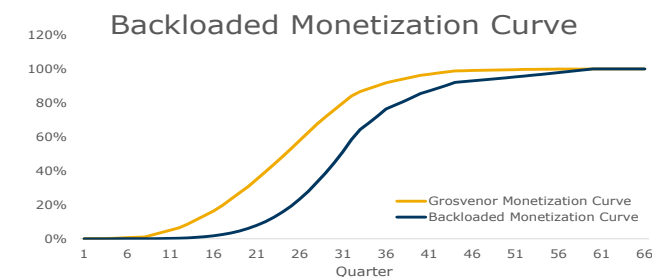
Duration

- The average collateral tenor reflects the typical term of GCM closed-end funds, which is expected to be approximately eight years

Cash Flow Analysis

- Ability to withstand performance stresses that are meaningfully inconsistent with Manager's track record and below historical third-quartile levels of performance across all strategies

Fund	MOIC Assumptions		
	Grosvenor Expected Case	KBRA Expected Case	KBRA Stress Case
GCM Grosvenor Strategic Credit Fund II	1.70x	1.40x	1.21x
GCM Grosvenor Multi Asset Class Fund III	2.00x	1.62x	1.28x
GCM Grosvenor Co-Invest Fund III	1.90x	1.62x	1.28x
GCM Grosvenor Secondary Opportunities Fund III	1.52x	1.50x	1.35x
GCM Grosvenor Customized Infrastructure Strategies III	2.00x	1.54x	1.09x
GCM Grosvenor Advance Fund	1.80x	1.62x	1.28x



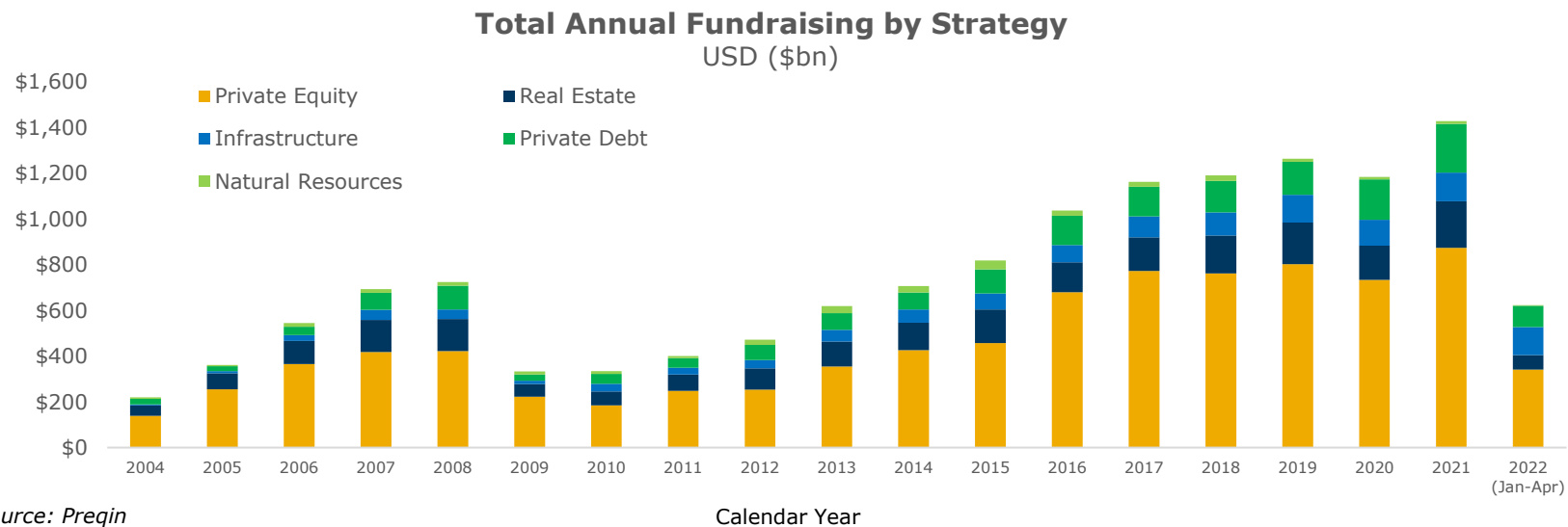
Qualitative Considerations

- Asset Manager has demonstrated track record of consistent performance through market cycles
- Diverse and aligned institutional investor base provides for near-term confidence around fundraising and capital deployment
- Experienced senior management team that is aligned to ensure continued stability of GP performance
- Comprehensive investment sourcing, underwriting, and management process



Conclusions

- Market innovation allows for investor diversification and fuel to meet additional capacity needs
- Preservation of patient capital while allowing for...impatience
- Structured solutions facilitate exposure to investors with lower risk tolerance
- Growth and sector diversification of private capital markets offers appealing risk-adjusted opportunities to invest across multiple strategies, managers, and vintages



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