Understanding private equity

> Private equity, or "PE," is how investors gain access to privately held companies.

Investing in the core of the American economy

Investors are familiar with buying stocks on exchanges like the Nasdaq or the New York Stock Exchange. But for every public company such as Amazon or Apple, there are a thousand privately held businesses seeking investor capital to grow.

There are **seven million private incorporated businesses currently operating in the United States**, a third of which employ at least 50 workers. These companies include some of the fastest growing and most disruptive startups, representing every major industry, from technology to manufacturing to retail.

Private equity offers access to a wide field of opportunities not offered in public markets

4,000
US public companies[1]
(NYSE, Nasdaq)

7,000,000
US private companies[2]

Examples of private companies:

- Enterprise software developer
- Aerospace innovator
- Property rental platform
- Health care technology provider
- Ride-share app
- Call-center technology provider

[1] Source: Nasdaq, as of 08/30/22.

[2] Source: US Census Bureau, as of 2019 (released 02/11/22).

> PE managers have direct access to company management and can improve the profitability of portfolio companies.

What is private equity?

Private equity is a type of investment in companies that are not publicly traded. In a typical deal, an investor buys a stake in a private company with the goal of realizing an increase in the value of the holding.

Private equity investment managers take an active role in the companies they acquire, providing expertise and resources to help drive growth and increase value, **creating the potential for a significant return on investment**.

Changes PE managers make include:

- Improve operations to enhance profit margins
- Accelerate revenue growth through the launch of new products or expansion into new markets
- Invest in accretive projects
- Improve the company's management or market strategy and operating model
- Pursue acquisitions and mergers to enhance the company's performance

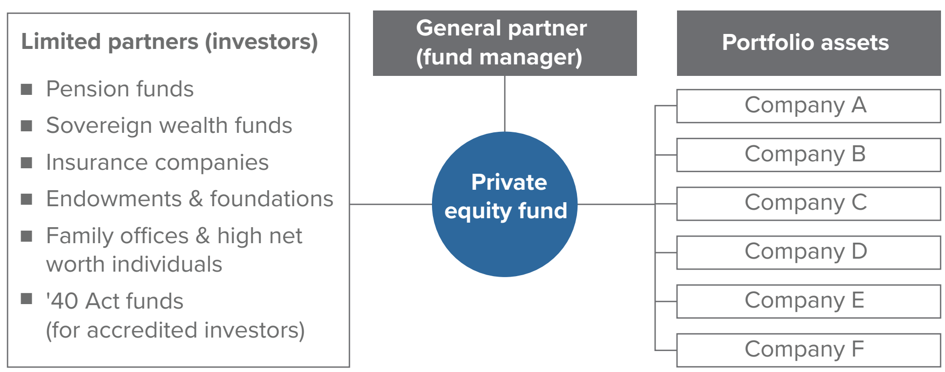
How private equity stacks up to publicly traded stocks

	Private equity	Public equity
Ownership	Private ownership with limited investors	Broad public owners
Liquidity	Limited ability to sell; but some investment vehicles now offer quarterly redemptions	Sell in the stock market
Investor involvement	Investors often have direct involvement in key decisions and strategic direction of the company	Passive shareholders
Valuation methods	Typically valued quarterly	Priced daily
Accessibility	Limited partnership fund or registered investment vehicle	Stocks, bonds, mutual funds available on public exchanges

How investors access private equity

Investors typically access private equity through funds that raise money to invest in private companies on behalf of their investors. These PE funds are typically organized as limited partnerships. Each investor is a limited partner (LP), while the PE firm acts as the general partner (GP), making investment decisions and managing the fund's portfolio.

A PE fund's general partner invests on behalf of its limited partners



Source: Voya Investment Management and Pomona Capital. For illustrative purposes only.

Who can invest in private equity?

Historically, private equity has been an exclusive club for large institutional investors such as pension funds, sovereign wealth funds and insurance companies, many of which view private equity as a core component of a well-diversified portfolio. However, the emergence of new investment vehicles has opened the private equity market to a wider range of investors. These new vehicles address hurdles that have discouraged broader adoption in the past by lowering investment minimums, simplifying tax forms and offering regular liquidity.

If you're interested in learning more, a financial advisor can help you understand how private equity may help you in the pursuit of long-term financial goals.

New access to PE	Traditional access to PE
Registered '40 Act Vehicle	Limited Partnership Fund
■ Open to accredited investors ■ Lower minimum subscription requirement ■ 1099 tax structure ■ Liquidity options	■ Open to qualified investors ■ Higher minimum subscription requirement ■ K-1 tax structure ■ Limited liquidity options

* Above are general descriptions and may not apply to all offered vehicles.

Risks of investing and important disclosures

Private equity may not be suitable for every investor, may involve a high degree of risk, and may be appropriate investments only for sophisticated investors who are capable of understanding and assuming the risks involved. Private equity investments are subject to various risks. These risks are generally related to: (i) the ability of the manager to select and manage successful investment opportunities; (ii) the quality of the management of each company in which a private equity fund invests; (iii) the ability of a private equity fund to liquidate its investments; and (iv) general economic conditions. Private equity funds that focus on buyouts have generally been dependent on the availability of debt or equity financing to fund the acquisitions of their investments. Depending on market conditions, however, the availability of such financing may be reduced dramatically, limiting the ability of such private equity funds to obtain the required financing or reducing their expected rate of return. Private equity funds, as well as securities that invest in such funds and companies in which such funds or securities may invest, tend to lack the liquidity associated with the securities of publicly traded companies and as a result are inherently more speculative. All investments in bonds are subject to market risks. Bonds have fixed principal and return if held to maturity, but may fluctuate in the interim. Generally, when interest rates rise, bond prices fall. Bonds with longer maturities tend to be more sensitive to changes in interest rates. All equity investing involves risks of fluctuating prices and the uncertainties of rates of return and yield inherent in investing. Foreign investing does pose special risks including currency fluctuation, economic and political risks not found in investments that are solely domestic. Emerging market stocks may be especially volatile. Stock of an issuer in the Fund's portfolio may decline in price if the issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition. Securities of small- and mid-sized companies may entail greater price volatility and less liquidity than investing in stocks of larger companies.

Past performance is no guarantee of future results. There are no guarantees a diversified portfolio will outperform a non-diversified portfolio. Diversification does not guarantee a profit or ensure against loss. Private equity may not be suitable for every investor, may involve a high degree of risk, and may be appropriate investments only for sophisticated investors who are capable of understanding and assuming the risks involved. Private equity investments are subject to various risks. These risks are generally related to: (i) the ability of the manager to select and manage successful investment opportunities; (ii) the quality of the management of each company in which a private equity fund invests; (iii) the ability of a private equity fund to liquidate its investments; and (iv) general economic conditions. Private equity funds that focus on buyouts have generally been dependent on the availability of debt or equity financing to fund the acquisitions of their investments. Depending on market conditions, however, the availability of such financing may be reduced dramatically, limiting the ability of such private equity funds to obtain the required financing or reducing their expected rate of return. Private equity funds, as well as securities that invest in such funds and companies in which such funds or securities may invest, tend to lack the liquidity associated with the securities of publicly traded companies and as a result are inherently more speculative.

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