

Firm/Strategy Update: Apogem Capital | Private Advisors Small Company Private Equity Fund VI



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 Apogem Capital (fka Private Advisors)

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 Adams Street

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Son Le and Pat Burkett met with Brendan Bostock and Chris Mitrovich on a video call on February 23, 2023.

1.Key Takeaways:

- **Firm:** In 2022, Private Advisors ("PA") merged with GoldPoint and Madison Capital to form Apogem, creating an influential player in private markets with

over \$40B AUM.

- **Strategy:** Private Advisors Small Company Private Equity Fund VI, LP ("PASCPEF VI") (2014 vintage) expects new platform activity to slow as the majority of managers are out of their investment periods and distributions to exceed calls, requiring no or minimal net new capital out of pocket for LPs.
- **Team:** Louise Smith and Kee Rabb continue to lead the Fund. Co-investment team members of GoldPoint and PA come together to source deals and manage investments. PA senior leadership essentially runs the co-investment and secondary teams.
- **Performance:** As of 9/30/22, the Fund has generated a net IRR of 19.6% and net MOIC of 1.8x since inception. Despite slowing exit activity, the Fund has continued to generate liquidity, with DPI increasing to approximately 114% with 108 unrealized portfolio companies remaining.
- **Current/Upcoming Fundraises:** Co-Investment Fund VII (\$500M target) – portfolio of direct middle market opportunities; RidgeLake Partners (\$1.25B target) – middle market GP stakes; Social Advancement Fund (\$250M) – emerging manager fund investments and co-investments with DEI focus; Apogem Private Equity Fund X (\$500M target) – portfolio of primary funds, direct co-investments, and secondaries focused on lower middle market buyout, growth equity, and distressed funds

2. Firm Update

- Apogem – a \$40B platform focused on the middle and lower market segment – invests across private equity (primary, secondary, co-investment), private debt, GP stakes, and private real assets.
- Apogem was formed in April 2022 from the combination of Private Advisor ("PA" – Lower Middle Market PE), GoldPoint (Middle market PE), and Madison Capital (Private Credit) – under the alternative ecosystem of NY Life.
- The combination unlocks a meaningful number of relationships (300 active GPs) and data across three firms and enhances relationships with GPs that move from low to middle markets.

3. Strategy Update

- PASCPEF VI is a 2014 vintage fund focused on small company growth, buyout, and turnaround partnerships in North America.

- The Fund held its final closing in June 2015 on aggregate commitments of \$350 million, and committed \$359 million to 17 partnerships across the 2012 – 2016 vintage years, investing 187 portfolio companies since inception.
- CAPTRUST clients committed \$2.5M to the strategy.
- The portfolio continues to mature, with an average portfolio company hold period of approximately 4.5 years across the 108 unrealized companies.
- The Manager expects new platform activity to slow as the majority of managers are out of their investment periods and distributions to exceed calls, requiring no or minimal net new capital out of pocket for LPs.
- Fund VI is the last fund with 100% exposure to primary fund investments. Fund X, the latest vehicle in the series, is currently fundraising and will have up to 30% exposure to co-investment/direct deals and 70% investment in primary funds and secondary deals.

4. Team

- Some senior staff at GoldPoint moved on to a new path since they are not aligned with the new company's visions. For PA, all senior members remain in place except for one or two non-investment team members.
- Co-investment team members of GoldPoint and PA come together to source deals and manage investments. PA senior leadership essentially runs the co-investment and secondary teams. Richard Wiltshire now runs the co-investment program.
- The multi-manager team (managing Fund VI): Louise Smith and Kee Rabb continue to lead the Fund.

5. Performance

- As of 9/30/22, the Fund has generated a net IRR of 19.6% and net MOIC of 1.8x since inception.
- Investment Activity: During Q3 2022, the Fund called \$4.2 million, or 1.2% of committed capital to support follow-on investments and/or fund management fees. No new investments occurred during the quarter.
- Distributions and Exits:
 - The Fund distributed \$13.4 million in Q3, or 3.5% of called capital, to investors.
 - A highlight was the sale of Nexus Systems, a Mainsail IV portfolio company. Mainsail generated approximately 3.7x invested capital and an

internal rate of return of 25%.

- The Fund exited 1 portfolio company during the quarter and has exited 12 portfolio companies year to date. The Fund has exited 79 portfolio companies since inception.
- The Fund's unrealized value remained flat from Q2 to Q3, despite broad public market volatility driven by high inflation and rising interest rates. Underlying portfolio company fundamentals continue to show strong performance. Markdowns in some manager portfolios, particularly in the technology sector, were offset by the healthcare and business services sectors.
- Despite slowing exit activity, the Fund has continued to generate liquidity, with DPI increasing to approximately 114% with 108 unrealized portfolio companies remaining. In general, the portfolio is well positioned to weather the current economic environment and rising risk of recession due to the conservative leverage profile and healthy EBITDA margins of its portfolio companies.
- The Fund expects to see continued distribution activity in the portfolio; however, hold periods may be extended in the current environment.

6. Fund Raising | New Products

- **Co-Investment Fund VII – Portfolio of direct middle market opportunities**
 - Targeting a \$500M fund size, Apogem Co-Investment Fund VII (“ACI VII”) has closed on \$200M and intends to hold its next close in H1 2023. Targeting a 2x+ net MOIC and a 20%+ net IRR, ACI VII targets a diversified portfolio of 20-30 middle market companies in North America on an advantaged economic basis (no fees or carry paid to underlying GP) alongside Apogem’s GP relationships. Team of 20+ investment professionals source across our established middle and lower middle market platform of 320+ active GP relationships.
- **RidgeLake Partners – Middle market GP stakes**
 - Targeting a \$1.25B fund size, RidgeLake Partners, which targets middle market private equity firms in North America and Europe with \$1-10 billion of AUM, has \$800M and intends to hold its next close in Q1 2023. The Fund has completed five investments, totaling \$665M in exposure, which new investors would participate in. The fund is expected to be in market through Q3 2023.
- **Social Advancement Fund – Emerging manager fund investments and co-investments with DEI focus**

- Targeting a \$250M fund size, the fund has closed/circled ~\$90M and intends to hold its next close in Q1 2023. The Fund is focused on promoting diversity in the private equity industry by investing with emerging managers led by minorities, women, and other underrepresented groups. The fund has completed three fund investments and two co-investments totaling \$55M³ and is expected to be in market through mid 2023.