



**FLOWSTONE**  
PARTNERS

CONFIDENTIAL

# FlowStone Opportunity Fund

August 2021

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# Important Disclosure | Performance Reporting

**(1) The performance data shown represents past performance. Past performance is no guarantee of future results. Investment return and principal value will fluctuate, and shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the past performance quoted.**

(2) Returns are presented net of expenses of 7.33% (gross) and 6.49% (net). The net expense ratio reflects a Fee Waiver and/or Expense Reimbursement of 0.84%. If the Fee Waiver and/or Expense Reimbursement had not been in place, returns would have been lower. Performance figures do not reflect the 2% early repurchase fee that may apply to some unit holders. Expenses are estimated as of the Fund's prospectus, effective July 29, 2021.

(3) The Adviser has entered into an expense limitation agreement (the "Expense Limitation Agreement") with the Fund, whereby the Adviser has agreed to waive fees that it would otherwise be paid, and/or to assume expenses of the Fund (a "Waiver"), if required to ensure the Total Annual Expenses (excluding taxes, interest, brokerage commissions, certain transaction-related expenses, extraordinary expenses, acquired fund fees and expenses and the Incentive Fee) do not exceed 1.95% on an annualized basis (the "Expense Limit"). For a period not to exceed three years from the date on which a Waiver is made, the Adviser may recoup amounts waived or assumed, provided it is able to affect such recoupment without causing the Fund's expense ratio (after recoupment) to exceed the lesser of (a) the expense limit in effect at the time of the waiver, and (b) the expense limit in effect at the time of the recoupment. The Expense Limitation Agreement also provides that, after the commencement of operations until the first anniversary of the commencement of operations, the Adviser agrees to waive fees payable to it by the Fund on assets held in cash or cash equivalents less the total amount of capital committed by the Fund and not yet drawn for investment. The Expense Limitation Agreement will have a term ending one-year from the date the Fund commences operations, and will automatically renew thereafter for consecutive twelve-month terms, provided that such continuance is specifically approved at least annually by a majority of the Trustees. The Expense Limitation Agreement may be terminated by the Fund's Board of Trustees upon thirty days' written notice to the Adviser.

(4) Shareholders also indirectly bear a portion of the asset-based fees, performance or incentive fees or allocations and other expenses incurred by the Fund as an investor in the Portfolio Funds. Generally, asset-based fees payable in connection with Portfolio Fund investments will range from 1% to 2.5% (annualized) of the commitment amount of the Fund's investment, and performance or incentive fees or allocations are typically 20% of a Portfolio Fund's net profits annually, although it is possible that such amounts may be exceeded for certain Portfolio Fund Managers. Historically, a substantial majority of the direct investments made by the Adviser and its affiliates on behalf of their clients have been made without any "acquired fees" (i.e., free of the management fees and performance/incentive fees or allocations that are typically charged by Portfolio Fund Managers). The "Acquired Fund Fees and Expenses" disclosed above, however, do not reflect any performance-based fees or allocations paid by the Portfolio Funds that are calculated solely on the realization and/or distribution of gains, or on the sum of such gains and unrealized appreciation of assets distributed in kind, as such fees and allocations for a particular period may be unrelated to the cost of investing in the Portfolio Funds.



# Important Information

*BEFORE INVESTING YOU SHOULD CAREFULLY CONSIDER THE FUND'S INVESTMENT OBJECTIVES, RISKS, CHARGES AND EXPENSES. THIS AND OTHER INFORMATION IS IN THE PROSPECTUS, A COPY OF WHICH MAY BE OBTAINED FROM FLOWSTONE PARTNERS AT 312-429-2419. PLEASE READ THE PROSPECTUS CAREFULLY BEFORE YOU INVEST.*

**The Shares are speculative and illiquid securities involving substantial risk of loss. An investment in the Fund is appropriate only for those investors who do not require a liquid investment, for whom an investment in the Fund does not constitute a complete investment program, and who fully understand and can assume the risks of an investment in the Fund.** Investors should carefully review and consider potential risks before investing. The Fund has been organized as a non-diversified, closed-end management investment company and designed primarily for long-term investors. An investor should not invest in the Fund if the investor needs a liquid investment. The Fund could experience fluctuations in its performance due to several factors. As a result of these factors, results for any previous period should not be relied upon as being indicative of performance in future periods.

The Fund Investments may include low grade or unrated debt securities ("high yield" or "junk" bonds or leveraged loans) or investments in securities of distressed companies. Such investments involve substantial, highly significant risks. The Fund may invest in mezzanine debt instruments, which are expected to be unsecured and made in companies with capital structures having significant indebtedness ranking ahead of the investments, all or a significant portion of which may be secured. The Portfolio Fund Managers and (subject to applicable law) the Fund may employ leverage through borrowings or derivative instruments and are likely to directly or indirectly acquire interests in companies with highly leveraged capital structures.

The Fund and Portfolio Fund Managers may use derivatives and the use of derivative instruments for hedging or speculative purposes by the Fund or the Portfolio Fund Managers could present significant risks, including the risk of losses in excess of the amounts invested. The overall performance of the Fund's secondary investments will depend in large part on the acquisition price paid, which may be negotiated based on incomplete or imperfect information. Secondary investments may also incur contingent liability risk and syndicate risk. Potential lack of diversification and resulting higher risk due to concentration of allocation authority when a single adviser is utilized. The Adviser does not control the investments or operations of the Portfolio Funds. For a complete discussion of risks please review the prospectus carefully.

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The information contained herein reflects views as of a particular time and is subject to change without notice. It is for illustrative purposes only and may not be representative of current or future investments or allocations. Any forward-looking statements are based on assumptions, and actual results may vary from such statements. There is no requirement to update information provided, unless otherwise required by applicable law. While reasonable efforts have been used to obtain information from reliable sources, no representations or warranties are made as to the accuracy, reliability or completeness of third-party information presented. The information contained in this document is unaudited.



# Summary

**The FlowStone Opportunity Fund is a registered investment vehicle designed to provide Qualified Clients with access to the Private Equity asset class**

Limited  
Exposure to  
Private Equity

- High Net Worth Investors (“HNWI”) and smaller institutional investors tend to be under-allocated to the Private Equity asset class when compared to larger institutional portfolios. As a result, they are not benefitting from the potential for excess risk-adjusted returns and increased diversification in their portfolios
- Private Equity is primarily oriented towards larger institutional investors. Existing investment products often do not address the high economic, operational, and psychological barriers to entry that typically prevent smaller investors from participating in the asset class

Addressing the  
Problem

- The FlowStone Opportunity Fund (“FSOF”) strives to offer diversified exposure to the private equity asset class in a fund structure tailored to the requirements of HNWI and smaller institutional investors, significantly lowering multiple barriers to entry
- Private Equity returns with a reduced J-curve profile and accelerated portfolio diversification may be achieved via secondary purchases of existing fund commitments

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**The Fund’s investment objective is to generate appropriate risk-adjusted long-term returns by continuously building a private equity portfolio through the secondary purchase of mature fund interests, primary commitments to new funds, and direct co-investments alongside trusted private equity managers**

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# FlowStone Opportunity Fund

*FlowStone Opportunity Fund* provides highly diversified Private Equity exposure through an investor-friendly structure

Proven and Experienced Team	Multi-Strategy	Intrinsic Value Orientation	Simplified Access to Private Equity
Nearly 70 years of combined private equity fund investing and management experience at <b>Landmark Partners, Partners Group, MatlinPatterson, and Aberdeen Standard</b>	Diversified access to: <ul style="list-style-type: none"><li>• ~\$90 billion secondary market<sup>(1)</sup></li><li>• \$203 billion primary market<sup>(2)</sup></li><li>• Direct co-investments sponsored by core private equity managers</li></ul>	Investment strategies focused on manager quality and acquiring assets at a discount to Intrinsic Value, reducing or eliminating the J-Curve	Low investment minimum, quarterly investment and redemption windows, immediate evergreen allocation, and timely Form 1099 tax and financial reporting

**The Fund's investment objective is to generate appropriate risk-adjusted long-term returns by continuously building a private equity portfolio through the secondary purchase of mature fund interests, primary commitments to new funds, and direct co-investments alongside trusted private equity managers**

<sup>(1)</sup>Source: UBS; "Navigating a New Reality: UBS's 2021 Secondary Market Survey and Outlook" – February 2021

<sup>(2)</sup>Source: PitchBook; PitchBook's 2020 Annual US PE Breakdown – March 2021



# FlowStone Opportunity Fund | Q2 2021 Summary

## Fund Raising

- Q1 2021 New Investment (4/1/21): \$37.2 million
- Q2 2021 New Investment (7/1/21): \$39.8 million

## Capital Deployment

- Invested/committed \$65.9 million in seven Transactions<sup>(1)</sup>
- Added 124 funds with exposure to over 600 companies to the portfolio
  - Portfolio construction is on-target for Transaction Type and is moving towards our target for Investment Strategy
- FSOF has deployed 83.0% of Fund NAV, as of June 30, 2021
- The Adviser expects meaningful capital deployment in Q3 2021 based on the existing deal pipeline and executed letters of intent

## Fund Performance <sup>(2)</sup>

- Q2 2021: 13.3% Total Return
- One year ended June 30, 2021: 46.9% Total Return
- June 30, 2021 since inception on August 31, 2019: 28.8% Annualized Total Return
- Several liquidity and financing events are visible in the portfolio that may increase portfolio value in the short to mid-term
- On balance, the portfolio is performing at or above our expectations

<sup>(1)</sup>See the Glossary for the definition of “Transaction(s)”

<sup>(2)</sup>See “Important Disclosures | Performance Reporting” on page 2

*Disclosure: Diversification does not ensure a profit or protect against loss.*

**Past performance is not indicative of future results.**



# FlowStone Opportunity Fund

	August 31, 2019 Inception	As of September 30, 2020	As of December 31, 2020	As of March 31, 2021	As of June 30, 2021
<b>Net Assets<sup>(1)</sup></b>	\$31.4 million	\$67.7 million	\$103.7 million	\$136.0 million	\$195.7 million
<b>New Investment – Quarter Ended</b>		\$9.2 million	\$19.9 million	\$22.0 million	\$37.2 million
<b>NAV/Unit</b>	\$10.00	\$11.56	\$13.67	\$14.69	\$16.59
<b>Number of Transactions<sup>(2)</sup></b>	One	Six	Ten	Eleven	Eighteen
<b>Investment Value/Fund NAV <sup>(3)</sup></b>					83.0%
<b>Total Return Based on NAV <sup>(4)</sup> – Quarter Ended</b>	Not Applicable	<b>2.4%</b>	<b>18.3%</b>	<b>7.4%</b>	<b>13.3%</b>
<b>Total Return<sup>(4)</sup> Based on NAV Since Inception</b>	Not Applicable	<b>15.6%</b>	<b>36.7%</b>	<b>46.4%</b>	<b>65.9%</b>

<sup>(1)</sup>Shareholders' Equity at the measurement date

<sup>(2)</sup>See the Glossary for the definition of "Transaction(s)"

<sup>(3)</sup>Investment Value reflects the value of the Fund's investments

<sup>(4)</sup>See Expense Summary on page 6





## Fund Status

Transaction	Investment Value	% of Total Fund NAV <sup>(1)</sup>	Closed
LiquidStock	\$4.3 million	2.2%	September 30, 2020
Project Envy	\$7.0 million	3.6%	October 31, 2019
Project Grid	\$18.0 million	9.2%	December 31, 2019
Apax X	\$566 thousand	0.3%	March 31, 2020
New Mountain VI	\$246 thousand	0.1%	June 30, 2020
Fin VC I	\$9.6 million	4.9%	June 30, 2020
Project AMPCF	\$7.2mm	3.7%	December 31, 2020
Project Senator	\$1.6 million	0.8%	December 31, 2020
Project Colonial	\$27.1 million	13.9%	December 31, 2020
Project Boston College	\$18.6 million	9.5%	December 31, 2020
Project Machine	\$2.1 million	1.1%	March 31, 2021
Project Waterfall	\$27.7 million	14.2%	June 30, 2021
Project Destiny	\$8.3 million	4.3%	June 30, 2021
Project Orange	\$18.5 million	9.5%	June 30, 2021
Project Stew	\$7.7 million	3.9%	June 30, 2021
Project TZP	\$1.4 million	0.7%	June 30, 2021
FVC Fund II	\$676 thousand	0.3%	June 30, 2021
MDP Fund VIII	\$1.6 million	0.8%	June 30, 2021
<b>Total</b>	<b>\$162.4</b>	<b>83.0%</b>	

<sup>(1)</sup> Total Fund NAV is the stated amount of NAV as of 6/30/21. Investment Value reflects the 6/30/21 value of each underlying investment

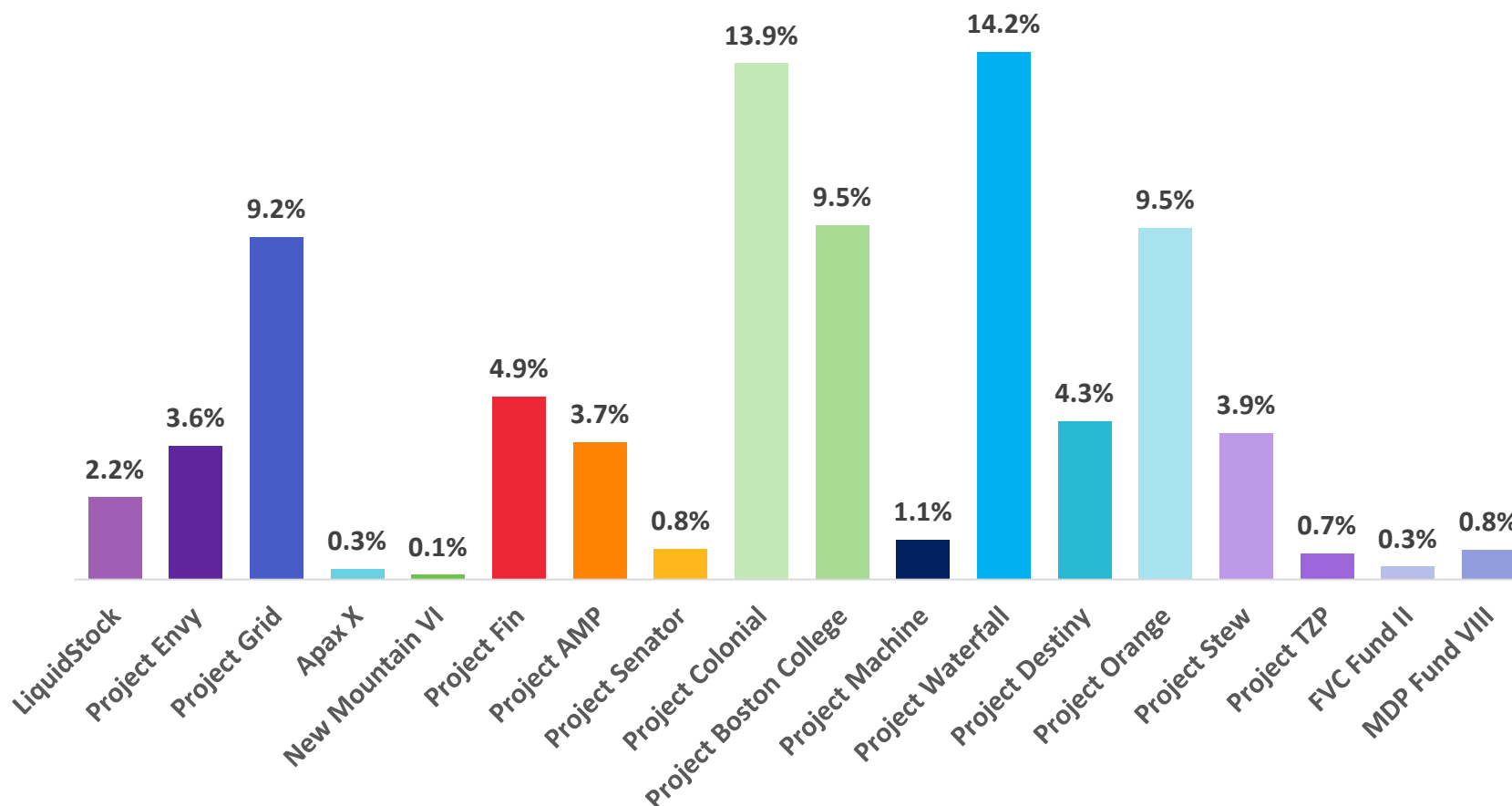
Disclosure: Holdings are subject to change

Note: Please refer to chart on the following page.



# Fund Status

## Investment Value as a % of Total Fund NAV (\$ millions)



***As of June 30, 2021, 83.0% of Total Fund NAV is allocated to Investments***

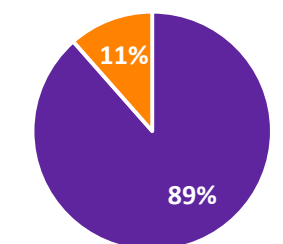
<sup>(1)</sup>Total Fund NAV is the stated amount of NAV as of 6/30/21. Investment Value reflects the 6/30/21 value of each underlying investment  
Disclosure: Holdings are subject to change



# FSOF Summary of Exposure – June 30, 2021

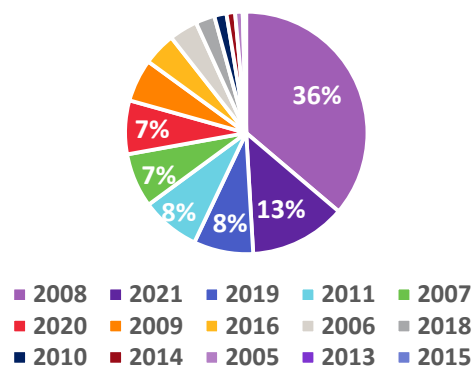
Transaction <sup>(2)</sup>	Number of Funds	Number of Companies	Top 5 Fund Holdings By NAV <sup>(1)</sup>	% of NAV
Pre-2021 Transactions	29	247		
Project Machine	1	6	Project Waterfall	14.2%
Project Waterfall	98	400+	B.C. European Capital IX	9.5%
Project Stew	6	100+	Morgenthaler IX	5.6%
Project Orange	14	150+	Fin VC I	4.9%
Project Destiny	1	1	Icon Partners IV	4.3%
Project TZP	3	20		
Fin VC Fund II	1	5		
MDP Fund VIII	1	5		
Total	154	900+		

Transaction Type (Committed Capital)



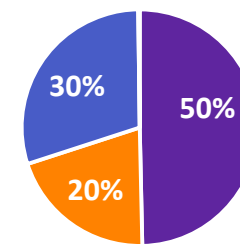
■ Secondary ■ Primary

Vintage Year (Committed Capital)



■ 2008 ■ 2021 ■ 2019 ■ 2011 ■ 2007  
 ■ 2020 ■ 2009 ■ 2016 ■ 2006 ■ 2018  
 ■ 2010 ■ 2014 ■ 2005 ■ 2013 ■ 2015

Investment Strategy (Committed Capital)

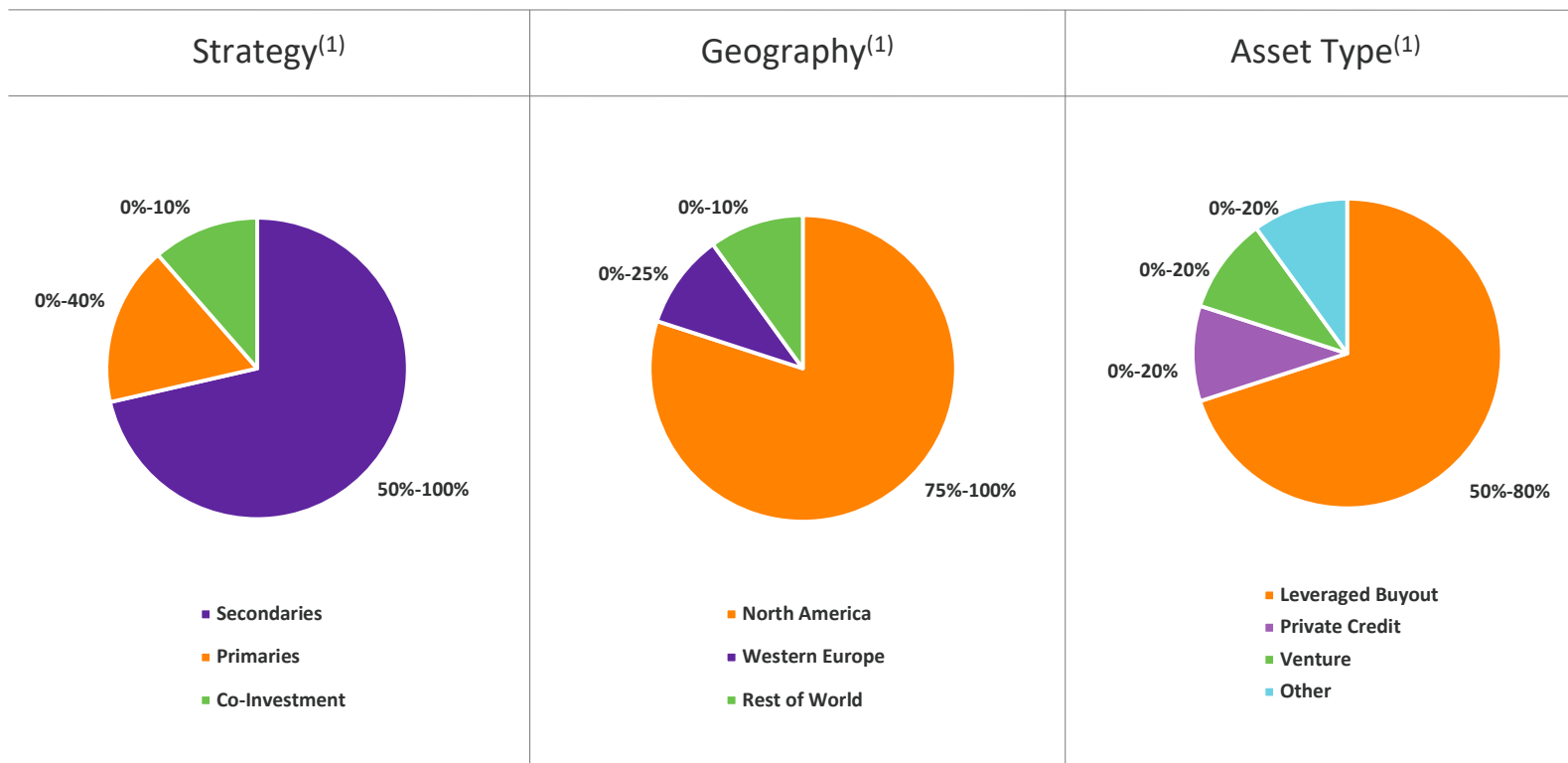


■ Buyout ■ Venture  
 ■ Credit ■ Fund-of-Funds

<sup>(1)</sup>Represents the five largest individual investment positions in the Fund as determined by Net Asset Value as of June 30, 2021 <sup>(2)</sup>See Glossary for the definition of "Transaction(s)"; **Disclosure:** Diversification does not ensure a profit or protect against loss. Past performance does not guarantee future results; Disclosure: Holdings are subject to change



# Portfolio Construction Targets



***FlowStone Opportunity Fund will provide diversified exposure primarily to cash flow positive businesses in developed markets***

<sup>(1)</sup>See Glossary for definitions

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# Case Study – Project Waterfall



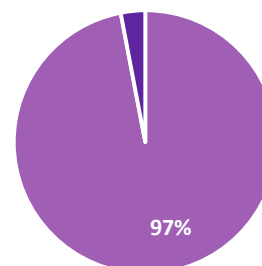
Project Waterfall is a transaction in which FlowStone partnered with a secondary buyer and other investors to acquire a €386mm diversified LP portfolio. The portfolio consists of 98 underlying funds (~90% buyout funds) and provides diversified exposure across key metrics including industry sector, geography and vintage year

<b>Transaction Overview</b>	<ul style="list-style-type: none"><li>Project Waterfall provides exposure to 98 underlying funds, the vast majority of which are buyout focused with assets based in North America and Europe. The portfolio is highly diversified and has a weighted average vintage of 2008</li></ul>
<b>Seller Objective</b>	<ul style="list-style-type: none"><li>The seller in this transaction was seeking to wind down an older investment vehicle, as well as raise additional capital for their newest investment vehicle. The secondary transaction solved for these objectives and includes a small commitment to their new fund</li></ul>
<b>Investment Attractions</b>	<ul style="list-style-type: none"><li>Highly cash generative portfolio as referenced by the post reference date distributions, which help to de-risk the transaction relatively quickly</li><li>Limited remaining unfunded capital, mitigating blind pool risk</li><li>Exposure to a highly diversified asset pool, consisting of 98 funds, 62 GPs, and 11 underlying sectors. The largest individual company exposure accounted for only 3.7% of transaction level NAV</li><li>Strong operational performance observed across the portfolio</li><li>The transaction closed nine months after the reference date, providing operational visibility and allowing FlowStone to realize additional valuation appreciation across the underlying portfolio</li></ul>

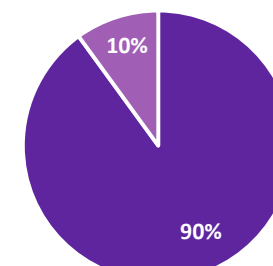
## Transaction Snapshot

<b>Transaction Type</b>	Secondary
<b>Total Deal Size at close (NAV + Unfunded)</b>	€20mm
<b>Purchase price</b>	€17mm
<b>Purchase price / NAV (at close)</b>	~85%
<b># of underlying Funds</b>	98
<b># of underlying portfolio companies</b>	400+
<b>Sourcing</b>	Intermediary
<b>Reference Date</b>	Sept. 30, 2020
<b>Closing Date</b>	Jun. 30, 2021

## Portfolio Overview



■ NAV at Ref Date  
■ Unfunded at Ref Date



■ Buyout ■ Venture / Growth



# Case Study – Project Destiny



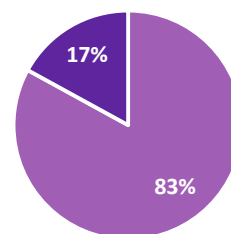
Project Destiny represents the creation of a single-asset continuation fund for a leading provider of digital security and technology infrastructure solutions (the “Company”). The Company is backed by two well-known, high performing sponsors who believe there is material upside in the Company and are pursuing Project Destiny in order to capitalize on the various value creation opportunities made available by increasing the duration of the investment and providing additional growth capital. FSOF participated in Project Destiny in a syndicate capacity alongside other prominent investors

<b>Transaction Overview</b>	<ul style="list-style-type: none"><li>Project Destiny establishes a single-asset continuation fund for a leading provider of high-assurance digital certificates, certificate management, and public-key infrastructure solutions, which enable authentication and encryption for web servers and IoT devices</li></ul>
<b>Seller Objective</b>	<ul style="list-style-type: none"><li>Project Destiny was formed to allow the sponsors and investor syndicate to maximize value in the Company by i) “resetting the duration”, giving the Company additional time to capitalize on growth initiatives and ii) provide a modest amount of follow-on capital for potential M&amp;A and other growth initiatives</li></ul>
<b>Investment Attractions</b>	<ul style="list-style-type: none"><li>Exposure to a market leading software provider, which exhibits significant scale and attractive operational metrics. The business also features high barriers to entry due to complex regulatory and new entrant approval processes</li><li>Strong alignment of interests between the GPs and LPs. The lead sponsor contributed all its crystallized carried interest from the sale of the Company to the Continuation Fund and is also investing an additional \$50mm. Additionally, the second sponsor is rolling over ~\$600mm in the transaction</li><li>Experienced and high-quality management team that has a track record of driving organic growth</li></ul>

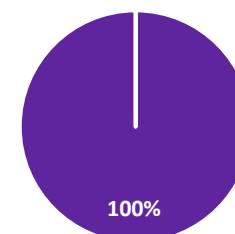
## Transaction Snapshot

<b>Transaction Type</b>	Secondary
<b>Total Deal Size at close (NAV + Unfunded)</b>	\$10.0mm
<b>Purchase price</b>	\$8.3mm
<b>Purchase price / NAV (at close)</b>	100%
<b># of underlying Funds</b>	1
<b># of underlying portfolio companies</b>	1
<b>Sourcing</b>	Intermediary
<b>Reference Date</b>	Mar. 31, 2021
<b>Closing Date</b>	Jun. 30, 2021

## Portfolio Overview



■ NAV at Ref Date  
■ Unfunded at Ref Date



■ Buyout



# Case Study – Project Orange



Project Orange is a traditional secondary purchase of 14 LP fund interests with the underlying portfolios comprising of 150+ remaining companies across a variety of different sectors. By leveraging its longstanding relationship with the seller and several of the underlying GPs, FlowStone was able to provide a full portfolio solution, expected to generate attractive returns for FlowStone investors

## Transaction Overview

- FlowStone was invited to participate in the auction of Project Orange, the wind-down of two credit-focused Fund-of-Funds (“FoF”) vehicles. Based on the size and relative quality, FlowStone elected to pursue one of the two vehicles, which offered exposure to 14 credit funds that had a weighted average vintage of 2008. The underlying investments were diversified not only by industry, but also security type. The portfolio had a debt to equity security mix of approximately 30:70

## Seller Objective

- The seller is an EU-based private markets manager looking to proactively wind-down two older FoF programs by selling the underlying portfolios
- The remaining net asset value in the FoF was small when compared to the already realized value. As a result, the seller’s price sensitivity was low

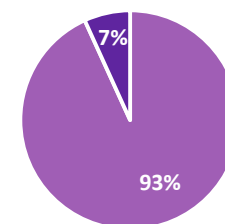
## Investment Attractions

- Due to the maturity of the underlying funds, the portfolio is highly cash generative with over 20% of reference NAV distributed before closing
- The transaction closed six months after the reference date, allowing FlowStone to capture additional value appreciation across the underlying portfolio
- Low public market exposure, limiting concerns around public market valuation volatility
- Headline discount should allow for an optically attractive write-up at close and should provide a high degree of protection against capital loss in the near term

## Transaction Snapshot

Transaction Type	Secondary
Total Deal Size at close (NAV + Unfunded)	\$60.0
Purchase price	\$28.0
Purchase price / NAV (at close)	~87%
# of underlying Funds	14
# of underlying portfolio companies	150+
Sourcing	Intermediary
Reference Date	Dec. 31, 2020
Closing Date	Jun. 30, 2021

## Portfolio Overview



■ NAV at Ref Date  
■ Unfunded at Ref Date



■ Credit



# Case Study – Project Stew



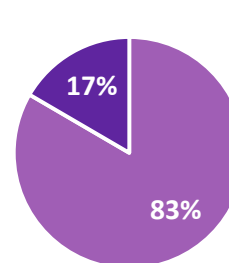
Project Stew is a traditional secondary purchase of 6 LP fund interests, representing a variety of different underlying strategies and geographies. The transaction provides exposure to more than 100 underlying portfolio companies, the majority of which are buyout focused assets based in North America; however, Project Stew also provided exposure to Credit and Fund-of-Funds (“FoF”) strategies, as well as exposure to Western Europe and Rest of World, creating a highly diversified transaction by strategy, geography, and sector

<b>Transaction Overview</b>	<ul style="list-style-type: none"><li>Project Stew is a traditional secondary investment involving 6 LP fund interests with a weighted average vintage of 2016</li></ul>
<b>Seller Objective</b>	<ul style="list-style-type: none"><li>The seller is a high-net-worth individual who had stopped allocating to the private equity asset class and thus was seeking to proactively wind down their remaining private equity exposure</li><li>A clear priority of the seller was working with a buyer who could provide a “full portfolio solution”</li><li>According to the involved intermediary, FlowStone was the only party approved by all underlying fund managers</li></ul>
<b>Investment Attractions</b>	<ul style="list-style-type: none"><li>Exposure to on-the-run portfolios managed by some of the highest quality fund managers</li><li>Strong visibility into additional valuation appreciation from the reference date 12/31 through close</li><li>FlowStone being the only interested buyer able to provide the Seller with a full portfolio solution, allowed us to price the transaction below ‘market’ levels, which in turn is expected to result in particularly attractive returns for FlowStone investors</li></ul>

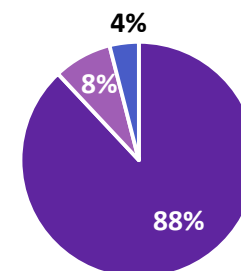
## Transaction Snapshot

<b>Transaction Type</b>	Secondary
<b>Total Deal Size at close (NAV + Unfunded)</b>	\$10.8mm
<b>Purchase price</b>	\$7.2mm
<b>Purchase price / NAV (at close)</b>	75%
<b># of underlying Funds</b>	6
<b># of underlying portfolio companies</b>	100+
<b>Sourcing</b>	Intermediary
<b>Reference Date</b>	Dec. 31, 2020
<b>Closing Date</b>	June 30, 2021

## Portfolio Overview



■ NAV at Ref Date  
■ Unfunded at Ref Date



■ Buyout ■ Credit ■ Fund-of-Fund





## Secondary Market Summary

### Transaction Summary

H1 2021 secondary transaction volume amounted to ~\$48bn, a significant increase vs. H1 2020 and a 14% increase vs. H1 2019

GP led transactions surpassed 60% of H1 2021 deal volume – up from 50% in 2020

Single asset transaction GP-liquidity solutions represented 25% of volume

Similarly to 2020, TMT and Healthcare remained the sectors most represented in GP-led volume in H1 2021

### Competitive Summary

~\$93bn of dedicated PE secondary dry powder

Dry powder has decreased since December 2020, when it stood at \$113bn, following strong deployment in H1 2021

Buyers with investment vehicles larger than \$5.0bn accounted for ~40% of transaction volume. The share of buyers with vehicles between \$2.5bn - \$5bn continued to grow in H1 2021

Market participants continue to express the most appetite for Buyout and Growth strategies, with the least in demand being energy and real estate

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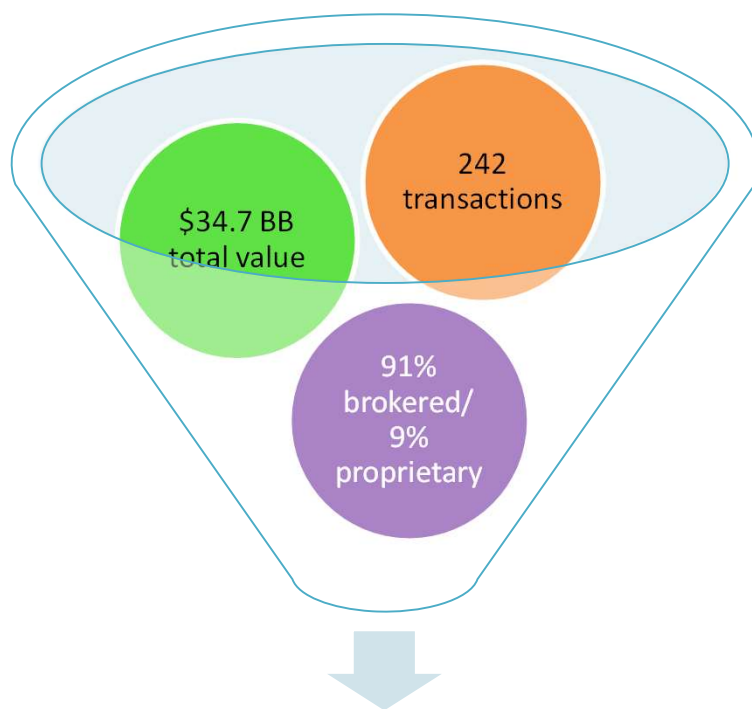
***As expected, the first six months of 2021 have enjoyed increased deal flow. Large funds may see price pressure at the top end of the market. Large buyers are focused on GP-led deals to maintain deployment pace and returns. FlowStone focuses on the small end of the LP-interest market characterized by a smaller, diffuse buyer-set and less efficiency. We believe this may result in better pricing***

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Source: Evercore Private Capital Advisory; “H1 2021 Secondary Market” – July 2021  
Please see the Glossary for a definition of terms



# Investment Pipeline Summary



28 LOIs issued representing \$372 million in transaction value

## Brokers by Deal Count

- Setter – 15%
- Brant Street – 13%
- Evercore – 10%
- Proprietary – 9%
- Melting Point – 7%
- Other – 46%

## Deal Size by Deal Count

- <\$50 million – 68%
- \$50-\$100 million – 15%
- \$100-\$200 million – 4%
- >\$200 million – 13%

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***The Fund is experiencing robust deal flow in what the Adviser considers to be its sweet spot for size, character, and quality. The emergence of “micro-brokers” facilitates finding deals in the small end of the market where there are fewer buyers and slightly less pricing efficiency***

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Disclosure: There is no guarantee that the Fund will complete these investments



# Glossary

**Blind Pool Investment Fund** – A limited partnership that does not announce its intentions with specificity as to what investments will be made.

**Buyout** - Control investments in established, cash flow positive companies are generally classified as buyouts. Buyout investments may focus on small-, mid- or large-capitalization companies, and such investments collectively represent a majority of the capital deployed in the overall private equity market. The use of debt financings, or leverage, is prevalent in buyout transactions — particularly in the large-cap segment.

**Co-Investments** – Co-investments generally involve taking an interest in securities issued by an operating company, whether equity or debt, in parallel with a sponsoring fund manager acting as the lead investor. Direct equity investments generally involve new owners taking a material stake in the target company and may involve exercising influence on the growth and development of the company through work with the company's management and board of directors. Direct debt investments typically represent financing for buyout or growth investments and may have various features and covenants designed to protect the lender's interests.

**Direct Funds** – Individual private equity funds or a portfolio of individual private equity funds.

**Dry Powder** – A private equity investment term referring to uninvested capital subject to call by an investment fund.

**E & F** – Endowments and Foundations

**Evergreen Fund** – Evergreen Funds reinvest investment proceeds into new investments within the fund, as opposed to distributing investment proceeds to the fund's investors.

**Family Office** – An investment company established by a high net worth individual or family to invest and manage that investor's assets

**Global Private Equity/VC Funds** – Those U.S. and non-U.S. private equity and venture capital funds included in a combination of the Cambridge Associates Global Private Equity Fund and Global Venture Capital Fund Index data sets as of the dates indicated in the relevant chart footnotes. As of the March 31, 2017; and December 31, 2005, reports, these data sets are comprised of five asset classes: Buyouts, Growth Equity, Private Equity Energy, Subordinated Capital, and Venture Capital.

**Global Secondary Funds** – Those U.S. and non-U.S. secondary funds included in the Cambridge Associates Global Secondary Fund Index data sets as of the dates indicated in the relevant chart footnotes.

**GP or General Partner** – The investment manager of a private equity fund

**Harvest Phase** - The stage in a private equity fund's life cycle when the fund's manager begins to liquidate the fund's assets through the public and/or private capital markets. This stage typically begins in years 4-6 of a fund's life, as the investments have matured, and the investment manager has built value above cost in the individual company investments.

**Intermediated** – Transactions where a broker is involved and acts as an intermediary between the buy and sell side



# Glossary

**LOI or Letter of Intent** – A non-binding agreement issued by a buyer to a seller summarizing the key terms of a purchase offer

**LP or Limited Partner** – An investor in a private equity fund

**Intermediated** – Transactions where a broker is involved and acts as an intermediary between the buy and sell side

**J-Curve** – The value development pattern in which the net asset value of a private-equity fund typically declines moderately during the early years of the private-equity fund's life as investment related fees and expenses are incurred before investment gains have been realized. As the fund matures and portfolio companies are sold, the pattern typically reverses with increasing net asset value and distributions.

**Mezzanine** - Mezzanine is a private equity industry term referring to subordinated debt investments made directly in operating companies. Investee companies are often private-equity backed. Mezzanine debt is junior to most forms of debt and liabilities in the capital structure but is senior to all forms of equity. In compensation for the risk profile, mezzanine debt generally requires a higher level of interest payment to the investor, typically in some combination of cash and in-kind payments. Often, the mezzanine investor will also require equity warrants to be associated with the debt security.

**Other - Infrastructure** - Infrastructure is a private equity industry term that refers to investments made directly in infrastructure projects, such as energy production plans, dams, pipelines, bridges, or other income producing facilities. These investments may be made in the form of equity, debt, revenue or profit-sharing participations, or in some combination.

**Other - Natural resources** - Natural resources is a private equity industry term that refers to investments made directly in assets such as oil and gas exploration and production, oil and gas distribution, or timber. These investments may be made in the form of equity, debt, revenue or profit-sharing participations, or some combination.

**Primary Investments** - Primary investments (primaries) are interests or investments in newly established private equity funds. Primary investors subscribe for interests during an initial fundraising period, and their capital commitments are then used to fund investments in several individual operating companies (typically ten to thirty) during a defined investment period. The investments of the fund are usually unknown at the time of commitment, and investors typically have little or no ability to influence the investments that are made during the fund's life.

**Proprietary** – Transactions originated via the FlowStone Opportunity Fund platform where a broker is not involved

**Seasoned Primary** – Similar to a Primary Investment; however, when the investor commits to the fund during the initial fundraising period, the newly established fund has already completed a number of transactions. Importantly, there is still a relatively high amount of unfunded capital that will be drawn down to make new platform investments



# Glossary

## ***Secondary Fund Size Classification***

Vintage Year	Small-Cap	Mid-Cap	Large-Cap
2000-2004	<\$50MM	\$50-\$250MM	>\$250MM
2005-2009	<\$300MM	\$300-\$1,500MM	>\$1,500MM
2010-2011	<\$500MM	\$500-\$2,500MM	>\$2,500MM

***Secondary Investments*** - Secondary Investments are interests in existing private equity funds that are acquired in privately negotiated transactions, typically after the end of the private equity fund's fundraising period. The investments of the acquired fund are usually known at the time of acquisition, and the majority of the fund's capital is typically drawn down and invested by the time of the fund's acquisition.

***SWF*** - Sovereign Wealth Fund

***Syndicate*** – A group of buyers who combine to purchase a specific interest

***Synthetic*** – Secondary investors acquire an interest in a new limited partnership that is formed specifically to hold a portfolio of investments. Typically, the manager of the new fund had historically managed the assets as a captive portfolio

***Total Value to Paid-In Capital ("TVPI")*** – The ratio of Total Value (Net Asset Value plus distributions received) to Paid-In Capital (total invested capital)

***Transaction(s)*** - Transactions are defined as the number of individual investment transactions closed by the Fund during the measurement period. For example, a primary commitment is counted as one transaction. A completed secondary acquisition of assets is counted as one transaction, irrespective of the number assets acquired in that transaction. "Transactions" does not provide a measure of diversification but is intended to summarize the Fund's new investment activity during the measurement period.

***Venture*** - Investments in new and emerging companies are usually classified as venture capital. Such investments are often in technology and healthcare related industries. Companies financed by venture capital are generally not cash flow positive at the time of investment and may require several rounds of financing before the company can be sold privately or taken public. Venture capital investors may finance companies along the full path of development or focus on certain sub-stages in partnership with other investors.