



**FLOWSTONE**  
PARTNERS

# FlowStone Opportunity Fund

CONFIDENTIAL

December 2023

CONFIDENTIAL

# Important Disclosures | Performance Reporting

- <sup>(1)</sup> **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.**
- <sup>(2)</sup> Returns are presented net of expenses. Expense ratios are 4.78% for Class A shares; 4.23% for Class D shares; 3.93% for Class I shares; 3.93% for Class M shares. 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 31, 2023.
- <sup>(3)</sup> 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, the Incentive Fee and any acquired fund fees and expenses) do not exceed 2.80% on an annualized basis for Class A Shares, 2.25% on an annualized basis of Class D Shares, 1.95% on an annualized basis for Class I Shares, and 1.95% on an annualized basis for Class M Shares (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 effect 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 will continue until at least November 28, 2023, 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. The Expense Limitation Agreement may not be terminated by the Adviser without the consent of the Fund's Board of Trustees.
- <sup>(4)</sup> 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 Disclosures | Performance Reporting

<sup>(5)</sup> Information about benchmark indices is provided to allow you to compare it to the performance of the Fund. The Fund is actively managed and not intended to replicate the performance of the indices: the performance and volatility of the Fund may differ materially from the performance and volatility of the indices, and Fund holdings will differ significantly from the securities that comprise the indices. You cannot invest directly in indices, which do not take into account trading commissions and costs.

MSCI World Index - The MSCI World Index is a broad global equity index that represents large and mid-cap equity performance across all 23 developed markets countries. It covers approximately 85% of the free float-adjusted market capitalization in each country.



# 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 312-429-2488 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.

FlowStone Funds are distributed by UMB Distribution Services, LLC. Not affiliated with FlowStone Partners



# I. FlowStone Opportunity Fund



# Important Information

This material is published as assistance for recipients but does not constitute investment advice and is not to be relied upon as authoritative nor to be substituted for one's own judgment. This information is not a recommendation to purchase or sell a security or follow any strategy or allocation. Before making any investment decision, you should seek expert, professional advice and obtain information regarding the legal, fiscal, regulatory and foreign currency requirements for any investment according to the laws of your home country and place of residence.

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.

# 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   |
|---|--|---|---|
| Over 75 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>• ~\$103 billion secondary market<sup>(1)</sup></li><li>• ~\$521 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. We seek to achieve this objective through 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: Evercore Private Capital Advisory, Data as of January 2023

<sup>(2)</sup>Source: PitchBook Private Equity Fundraising Report, Data as of August 2023

# FlowStone Opportunity Fund | Summary

## FSOF Class I Shares Performance Data (as of 9/30/2023) <sup>(1)</sup>

| Total Return %*              | QTD (Q3) %*   | YTD %*       | One Year Ended | Annualized Three Years Ended | Annualized Inception to Date ("ITD"**) % | ITD** %       |
|------------------------------|---------------|--------------|----------------|------------------------------|--|---------------|
| <b>FSOF - Class I Shares</b> | <b>-1.26%</b> | <b>2.37%</b> | <b>3.81%</b>   | <b>18.09%</b>                | <b>17.08%</b>                            | <b>90.41%</b> |
| S&P 500                      | -3.27%        | 13.07%       | 21.62%         | 10.15%                       | 11.64%                                   | 56.77%        |
| MSCI World                   | -3.46%        | 11.10%       | 21.95%         | 8.08%                        | 9.03%                                    | 42.36%        |

\*Note: Returns are calculated based on a calendar quarter and year. For financial reporting purposes, the FSOF FY ends on March 31<sup>st</sup>, as stated in the prospectus. FSOF returns are a calculated net of all fees and expenses, assuming reinvestment of dividends

\*\*Note: "Annualized Inception to date (ITD)" performance metrics represent annualized figures. Inception date of August 31, 2019

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. It is not possible to invest directly in an index.

| Net Assets <sup>(2)</sup><br>(as of 10/1/2023) | Number of Transactions <sup>(3)</sup> | Investment Value / Fund NAV <sup>(4)</sup> | Number of Funds | Number of Companies |
|--|---------------------------------------|--|-----------------|---------------------|
| \$675.4 million                                | 48                                    | 85.2%                                      | 205             | 1600+               |

<sup>(1)</sup> See "Important Disclosures | Performance Reporting" on page 2 <sup>(2)</sup> Fund Net Assets is calculated as the sum of the Fund's Net Asset Value as of 9/30/2023 (\$647.1 million) and the amount of capital received from subscriptions on 10/1/2023 (\$28.3 million); <sup>(3)</sup> See the Glossary for the definition of "Transaction(s)"; <sup>(4)</sup> Investment Value reflects the value of the fund's investments as of 9/30/2023

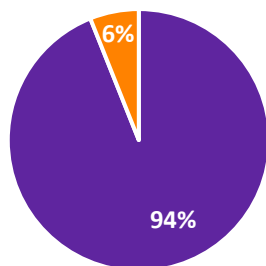
Disclosure: Diversification does not ensure a profit or protect against loss.



# FSOF Summary of Exposure – September 30, 2023

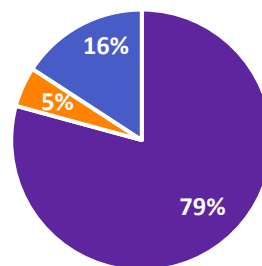
| Transaction <sup>(2)</sup> | Number of Funds | Number of Companies | Top 10 Fund Holdings By NAV <sup>(1)</sup> | % of NAV |
|----------------------------|-----------------|---------------------|--|----------|
| Pre-Q3 2022 Transactions   | 171             | 1250+               | Project Porsche                            | 5.9%     |
| Primaries                  | 15              | 100+                | Kohlberg TE VIII                           | 4.6%     |
| Project Porsche            | 7               | 115+                | Brookfield                                 | 4.2%     |
| Project Allegro            | 1               | 1                   | WPGG                                       | 3.7%     |
| Project Fountain           | 1               | 5                   | Audax PE Fund VI-A                         | 3.4%     |
| Project Ignite             | 1               | 1                   | WPFS                                       | 3.0%     |
| Project Zipper             | 1               | 12                  | Awz Pentera II                             | 2.8%     |
| Project Tetra              | 1               | 1                   | TA XII-B                                   | 2.7%     |
| Project Rose               | 4               | 55+                 | Roark                                      | 2.5%     |
| Project Prosper            | 2               | 60+                 | Audax PE Fund V-A                          | 2.3%     |
| Project Jordan             | 1               | 3                   |  |          |
| Total                      | 205             | 1600+               |  |          |

Transaction Type (NAV)



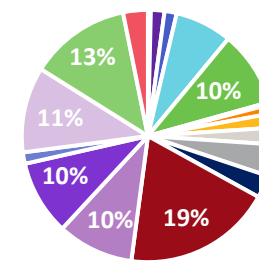
■ Secondary ■ Primary

Investment Strategy (NAV)



■ Buyout ■ Credit ■ Venture

Vintage Year (NAV)



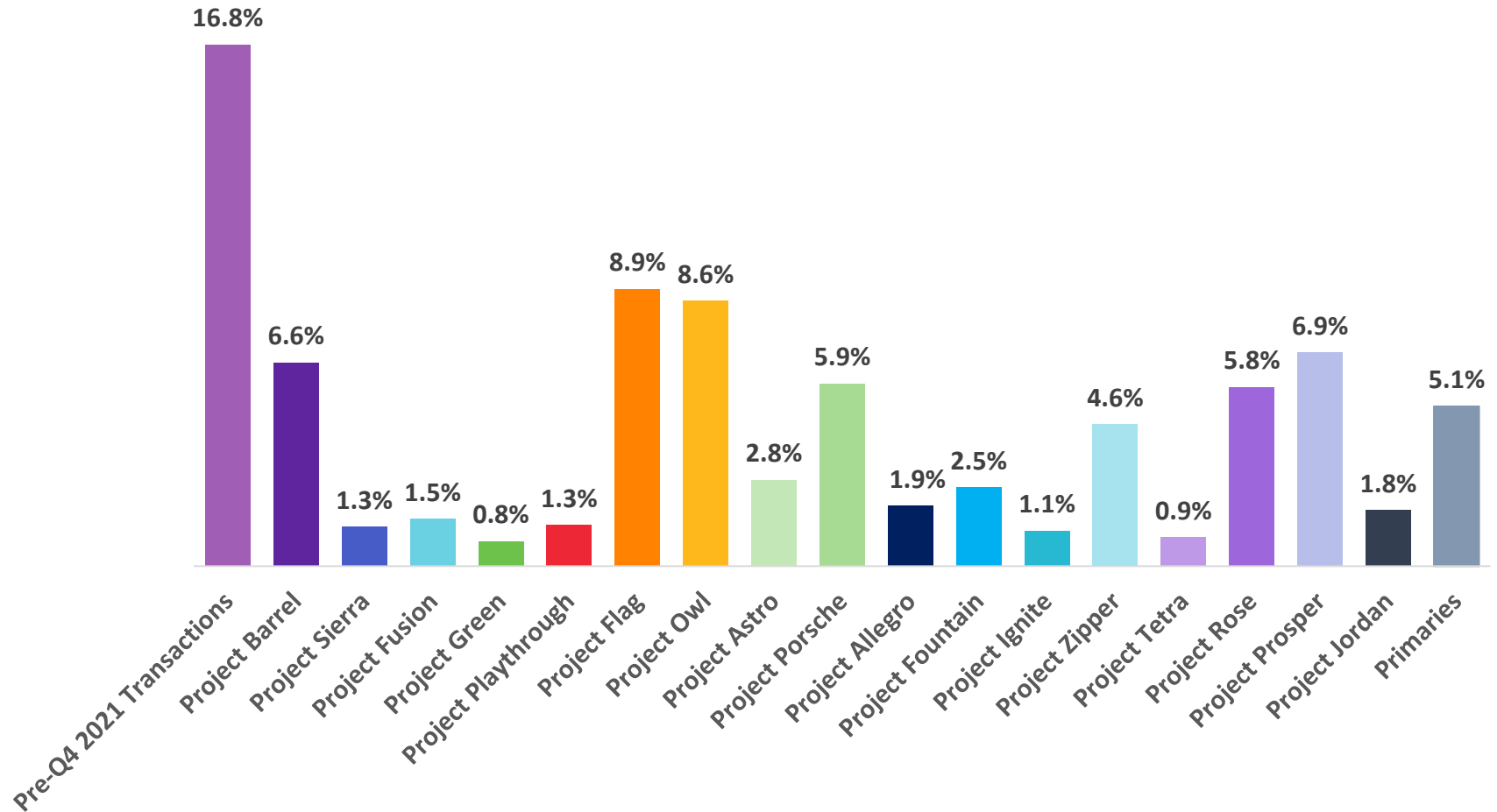
■ 2005 ■ 2006 ■ 2007 ■ 2008 ■ 2009 ■ 2010  
 ■ 2011 ■ 2012 ■ 2013 ■ 2014 ■ 2015 ■ 2016  
 ■ 2018 ■ 2019 ■ 2020 ■ 2021 ■ 2022 ■ 2023

<sup>(1)</sup>Represents the ten largest individual investment positions in the Fund as determined by Net Asset Value as of September 30, 2023 <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



# Fund Status

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



***As of September 30, 2023, 85.2% of Total Fund NAV is allocated to Investments***

<sup>(1)</sup>Total Fund NAV is the stated amount of NAV as of 9/30/23. Investment Value reflects the 9/30/23 value of each underlying investment. Total may not sum due to rounding

Disclosure: Holdings are subject to change



# Barriers to Investing in Private Equity

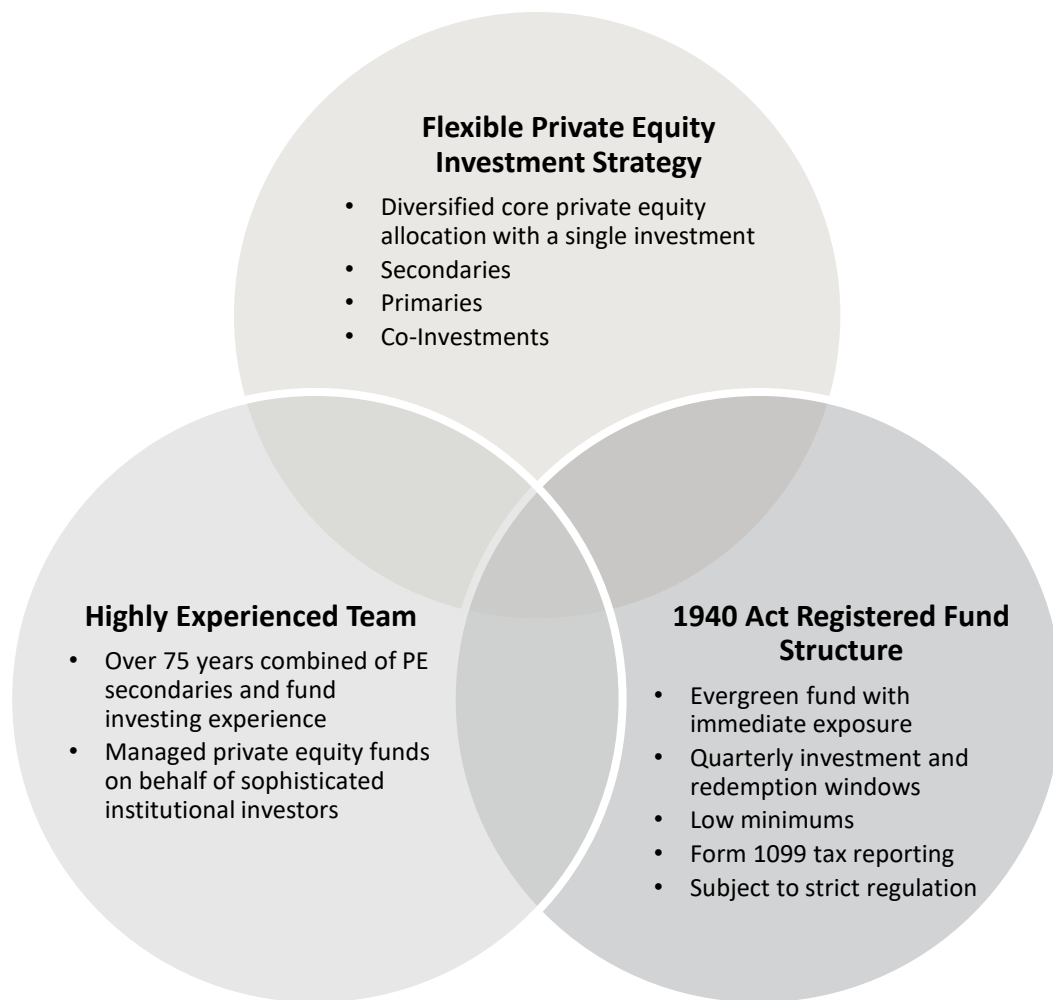
| Economic Barriers                                     | Operational Barriers   | Psychological Barriers            |
|---|--|-----------------------------------|
| High investment minimums                              | Limited flexibility in timing and amount of investment               | Unfamiliarity with asset class    |
| Capital required to build a diversified portfolio     | Access to opportunities  | Less regulated funds and managers |
| J-Curve   | Investment expertise   | J-Curve                           |
| Lack of liquidity                                     | Institutionally oriented marketing, investment structures, and terms | Lack of liquidity                 |
| Constant liquidity requirements to meet capital calls | K-1 tax reporting  |                                   |

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**Institutions have benefited from Private Equity's potential to generate excess risk-adjusted returns and enhance diversification. Individual investors have largely been excluded from the asset class**

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# FlowStone Opportunity Fund



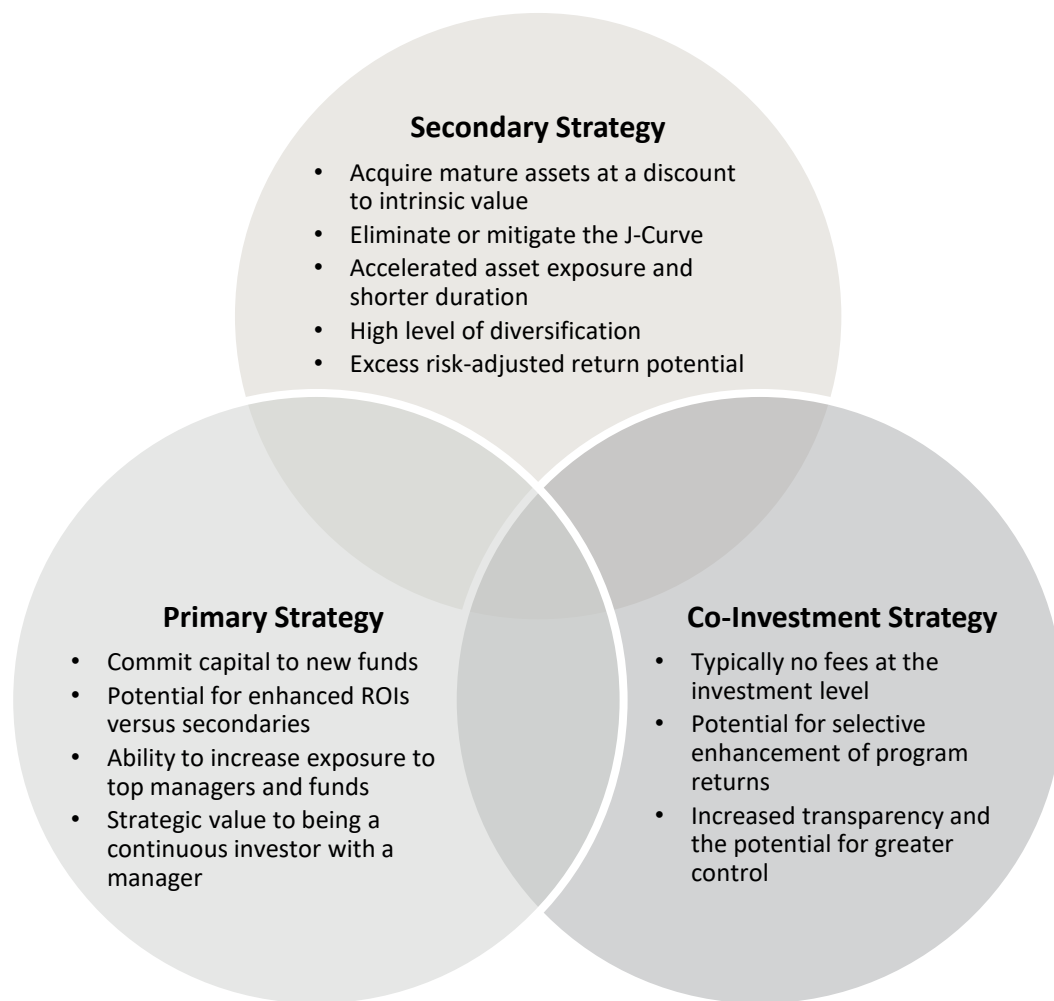
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**The FlowStone Opportunity Fund provides diversified Private Equity exposure and lowers the barriers to entry through a closed-end fund structure**

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*Disclosure: Diversification does not ensure a profit or protect against loss. Past performance does not guarantee future results.*

# Potential Benefits of a Multi-Strategy Approach



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**Dynamic portfolio construction with the potential for Private Equity returns, a reduced J-Curve, and increased diversification**

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# FlowStone Fund Structure

|  | FlowStone Fund  | Traditional Private Equity Fund of Funds   |
|--|---|--|
| <b>Investment Objective</b>            | The Fund's investment objective is to generate appropriate risk-adjusted long-term returns by assembling a diversified portfolio of private equity investments through secondary acquisition, primary commitments, and co-investments | The Fund's investment objective is to generate appropriate risk-adjusted long-term returns by assembling a diversified portfolio of private equity investments through primary commitments                   |
| <b>Investment Timing</b>               | Quarterly unit purchases at current NAV allow for investors to participate when it meets <u>their</u> timing, not only when the fund manager is raising capital   | Fund managers typically raise new capital every two to four years, limiting the investor's ability to invest <u>only</u> when managers are actively raising capital  |
| <b>Investment Structure</b>            | Investors buy into an existing portfolio, enjoying immediate exposure. Proceeds are reinvested in the vehicle, increasing the potential for continuous capital appreciation and compounded growth                                     | Investments are made over time, often several years, so exposure increases gradually. "Blind Pool Risk" exists because there is no visibility on the assets to be acquired                                   |
| <b>Regulatory Oversight</b>            | Registered investment companies are designed specifically for individual investors and are subject to strict regulation   | Limited partnership vehicles are designed for institutional investors and are subject to fewer regulatory obligations regarding valuations and reporting. This may be less suitable for individual investors |
| <b>Tax and Reporting</b>               | Form 1099 tax reporting<br>Quarterly filings and investor reporting   | Limited partnerships issue K-1s, which are seldom available by the April 15 tax filing deadline, requiring an extension with the IRS   |
| <b>Distributions</b>                   | Registered Investment Companies must distribute income, annually. Distributions are automatically reinvested in the fund unless the investor opts out of the reinvestment plan  | Traditional private equity limited partnerships distribute capital and income at the sole discretion of the manager. Funds often make no distributions for the first several years of a fund's life          |
| <b>Redemption Option<sup>(1)</sup></b> | Redemption feature allows investors to redeem their units at NAV quarterly (subject to a fund-level cap and/or board approval)  | Private equity limited partnerships provide no flexibility for the investor to manage liquidity. Investors are locked up until the manager makes its final distribution                                      |

(1) The Fund is not a liquid investment. No Shareholder will have the right to require the Fund to redeem its Shares. The Fund from time to time may offer to repurchase Shares pursuant to written tenders by the Shareholders

*Note: This presentation is for discussion purposes only and is not intended to be an offer to sell or the solicitation of an offer to buy any securities. In the event securities were offered, this presentation would be superseded and replaced in its entirety by a preliminary or final term sheet, prospectus, offering agreement or memorandum, partnership agreement and/or other supplemental and controlling documents for a specific offer. In the event of any inconsistency between the information presented herein and that information presented in a preliminary or final term sheet, prospectus, offering agreement or memorandum, partnership agreement and/or other supplemental and controlling document, the latter shall govern in all respects.*

*There is no guarantee that the Fund will achieve its investment objective.*

# Private Equity Investment Strategy Comparison

|   | Secondary Fund Strategy  | Private Equity Portfolio Strategy   |
|---|--|---|
| <b>Portfolio Objective and Strategy</b>   | Build a highly diversified portfolio of private equity investments through the acquisition of mature private equity fund interests from motivated sellers, typically at a discount from Net Asset Value ("NAV")          | Build a diversified portfolio of private equity assets either through the direct investment in the securities of private companies or the investment in newly formed private equity funds |
| <b>Capital Deployment Pace</b>            | Investor's full capital is at work quickly due to the purchase of portfolios of mature funds and investments   | Capital is deployed gradually after the investor's commitment – typically over a five to seven-year horizon as the funds make new company investments                                     |
| <b>Diversification</b>                    | Diversification occurs rapidly, as portfolios of multiple funds are acquired   | Diversification occurs slowly as the investor invests in multiple funds over time. Furthermore, each fund's capital is invested over four years, or more                                  |
| <b>Blind Pool Risk</b>                    | Blind Pool Risk is virtually eliminated, as the acquired funds are substantially invested. In addition, follow-on investments are made in existing, identified assets  | New fund investing involves 100% Blind Pool Risk  |
| <b>Historical Return and Risk Profile</b> | Private equity returns with lower observed volatility and lower loss ratios  | Comparable returns but historically with higher volatility and loss ratios  |
| <b>Cash Flow Profile</b>                  | Mature portfolios with assets at or near the Harvest Phase typically generate near-term cash flows from acquisition. Highly diversified portfolios can result in relatively consistent cash yields, even in down-markets | Newly formed funds typically do not generate positive cumulative cash flows for the first five to seven years of a fund's life  |
| <b>J-Curve</b>                            | Mature portfolio acquired at discounts from NAV or intrinsic value effectively eliminate or mitigate the J-Curve   | Newly formed funds generally experience a significant J-Curve   |

**The Secondary strategy is ideal for investors building exposure to the excess return potential of private equity on a highly diversified basis and with an appropriate risk profile**

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# FlowStone Secondary Investment Philosophy

| Solution Provider  | Seek Quality and Value  | Mature Assets  | Rigorous Diligence   | Risk Mitigation   |
|--|---|--|--|---|
| <ul style="list-style-type: none"><li>• More than capital</li><li>• Sophisticated structuring</li><li>• Transaction creativity</li></ul> | <ul style="list-style-type: none"><li>• Higher quality managers and assets tend to outperform</li><li>• Focus on intrinsic value</li><li>• Macro foundation</li><li>• Price matters</li></ul> | <ul style="list-style-type: none"><li>• Typically 3-8 years old and substantially funded</li><li>• Visibility on near to mid-term liquidity</li><li>• Increased transparency</li><li>• Shorter hold period</li></ul> | <ul style="list-style-type: none"><li>• Granular, bottom-up approach combined with deep manager evaluation</li><li>• Both asset valuation and capitalization matter</li><li>• Sensitivity analysis</li></ul> | <ul style="list-style-type: none"><li>• Diversification by asset type, manager, geography, and vintage year<sup>(1)</sup></li><li>• Active cash management and liquidity</li><li>• Active portfolio management</li><li>• Limited leverage</li></ul> |

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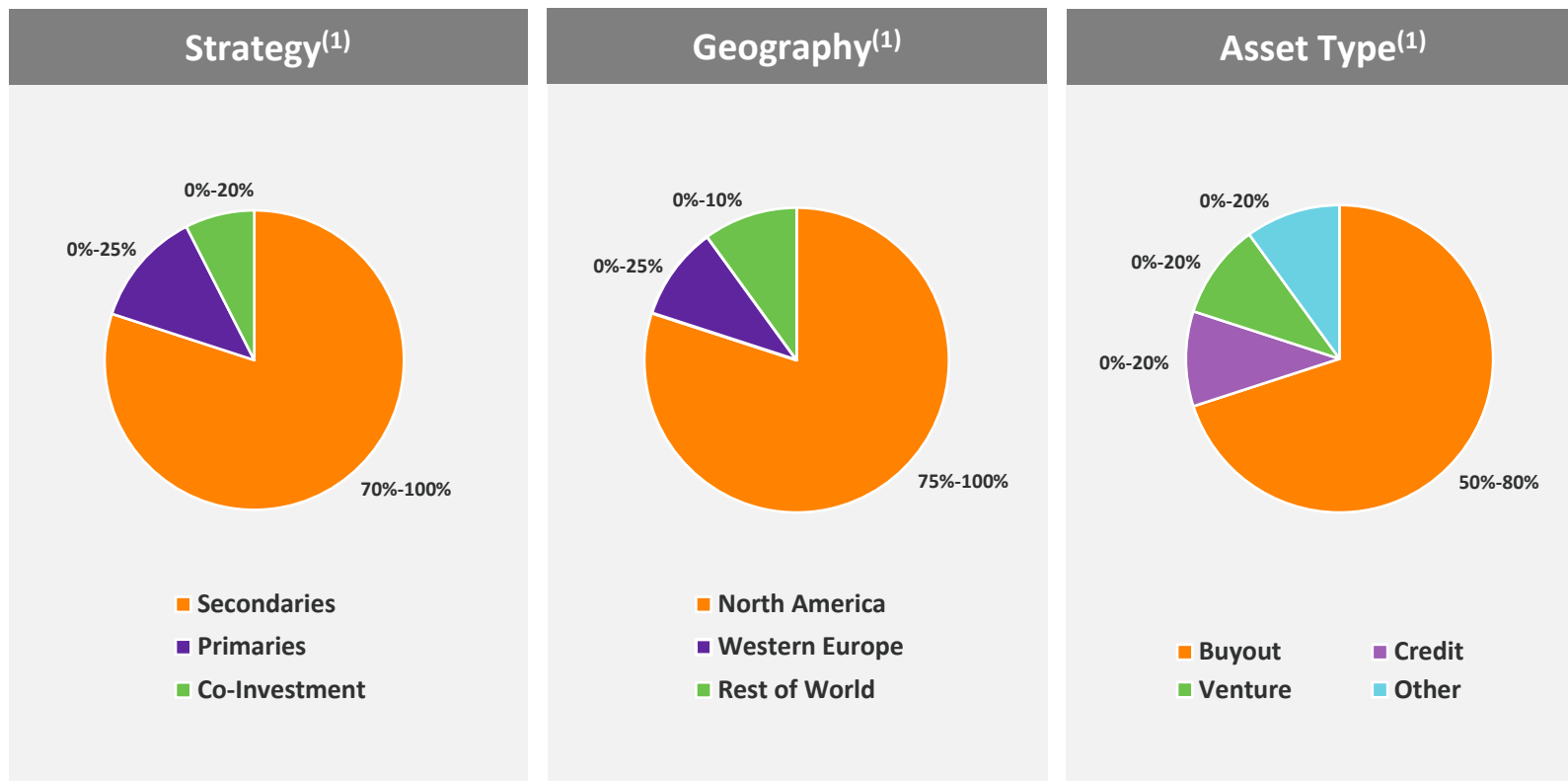
**A systematic approach to sourcing and rigorous asset-level diligence are instrumental in generating excess risk-adjusted returns**

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<sup>(1)</sup>Diversification does not ensure a profit or protect against loss



# 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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# Secondary Transaction Types

| Traditional   | Structured  | Fund Restructuring   | Direct Secondary  | Stapled Secondary   |
|---|---|--|---|---|
| <ul style="list-style-type: none"><li>• Portfolio acquisitions</li><li>• Cash-for-title exchange</li><li>• Generally brokered</li></ul> | <ul style="list-style-type: none"><li>• Portfolio acquisitions</li><li>• Tools range from deferred purchase price to highly structured preferred securities</li><li>• Potential downside management</li></ul> | <ul style="list-style-type: none"><li>• Single fund</li><li>• Provides liquidity for LPs or recapitalizes an existing fund</li><li>• Asset concentration</li><li>• Generally involves preferred structure</li><li>• Potential for increased upside</li></ul> | <ul style="list-style-type: none"><li>• Purchase of company investments from a fund or direct owner</li><li>• Assets held by buyer directly</li><li>• Some active management, but generally minority stakes</li><li>• Asset quality can be an issue</li></ul> | <ul style="list-style-type: none"><li>• Generally, a single-fund transaction that requires a primary commitment</li><li>• Focus on manager quality</li><li>• Often brokered</li></ul> |

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**Transaction types perform differently depending on market conditions. A manager with the experience and sophistication to successfully execute all types has a competitive advantage**

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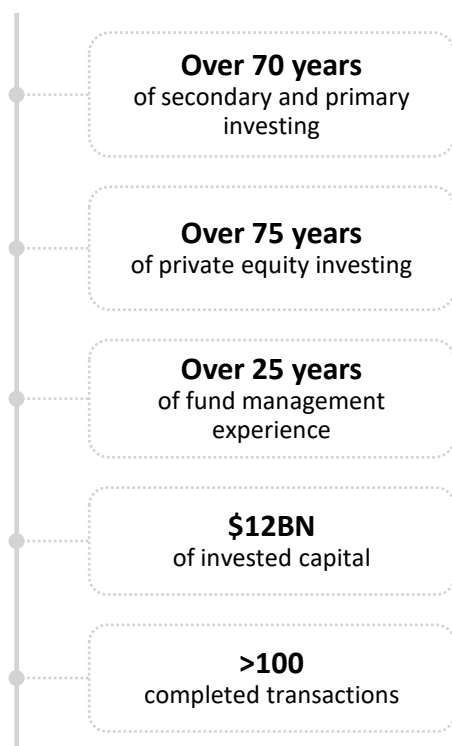


## II. FlowStone Partners

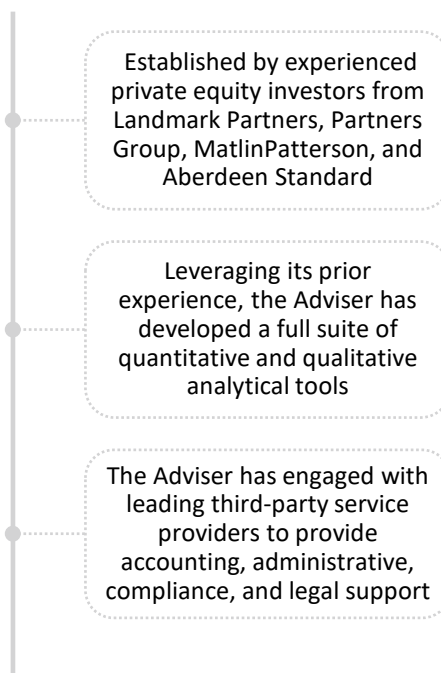
# FlowStone Partners



## Experienced



## Complete



## Cohesive



**Our sole mandate is to design and manage institutional-grade alternative asset investment products specifically for High Net Worth and smaller institutional investors**

*All data as of November 29, 2022*



## Investor Relations



**Transparency**



**Support**



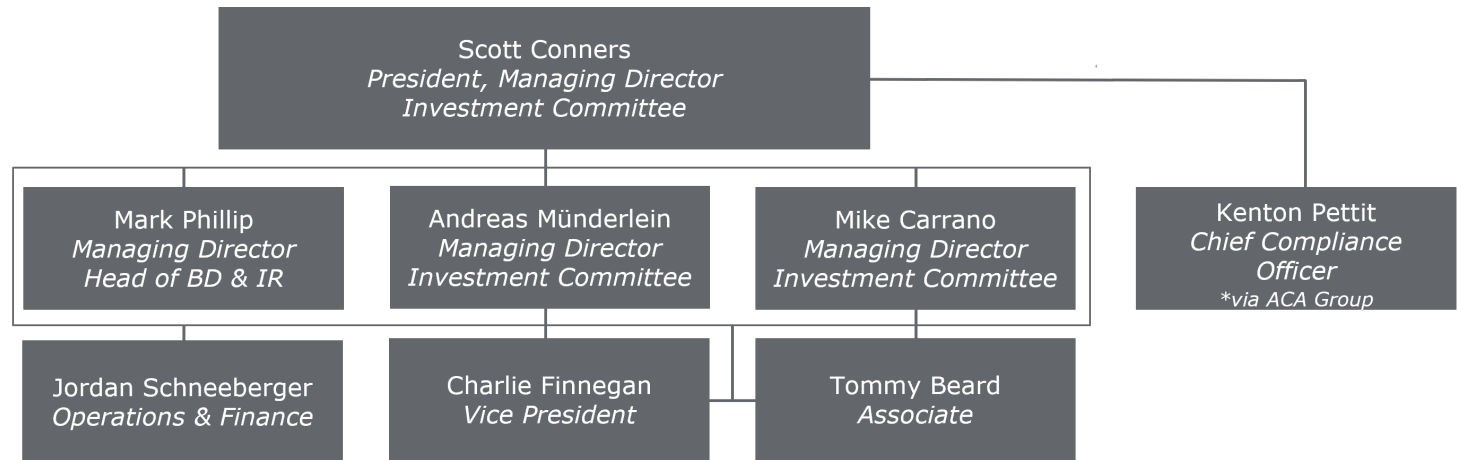
**Education**

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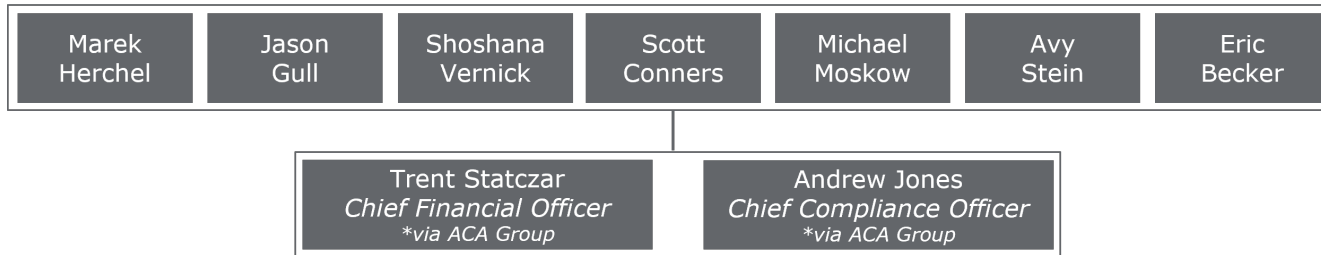
**Dedicated Investor Relations resources enable FlowStone to act in partnership with its investors as a resource and extension of their investment capabilities**

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# Organizational Chart



## Fund Board of Trustees and Officers



## Fund Advisory Board



**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 312-429-2488. PLEASE READ THE PROSPECTUS CAREFULLY BEFORE YOU INVEST.**

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Distribution services provided by UMB Distribution Services, LLC.

# FlowStone Team



**Scott Conners, CFA**  
*Managing Director and President*

- Partner, Landmark Partners – 22 years
- Co-lead of Private Equity Secondary team
- Involved in the raising and investment of nearly \$10 billion of private equity secondary capital



**Mark Phillip**  
*Managing Director, Investor Relations & Business Development*

- Principal, Matlin Patterson Asset Management – 9 years
- Vice President, Morgan Stanley – 8 years
- 19 years of private market and business development experience



**Charlie Finnegan**  
*Vice President*

- Senior Analyst, Aberdeen Standard Investments – 2 years. Involved in all aspects of the investment process including sourcing, due diligence, industry review, and portfolio management
- Analyst, AGC Partners, a sell-side investment bank



**Jordan Schneeberger**  
*Associate, Finance and Operations*

- Senior Analyst, PricewaterhouseCoopers – 3 years.
- Provided tax and advisory services to hedge funds and asset managers



**Michael Carrano**  
*Managing Director*

- Managing Director, Landmark Partners – 14 years
- Senior member of Private Equity Secondary team
- 20 years of secondary and direct private equity experience, including involvement in fundraising or investment of \$4.0 billion of capital



**Andreas Munderlein**  
*Managing Director*

- Investment Manager/SVP, Partners Group – 12 years
- Lead of Private Equity Integrated Investments and Member of Global Secondary Investment Committee
- 17 years of private equity experience, including investment of over \$4.5 billion of secondary and primary capital



**Tommy Beard**  
*Associate*

- Senior Analyst, Boston Consulting Group – 3 years. Conducted a wide range of commercial due diligence, portfolio value creation, and fund strategy for institutional investors across industries.
- Analyst, Greater Sum Ventures, a middle-market private equity firm

# Fund Service Providers



- Fund accounting
- Fund administration
- Custody
- Transfer Agency
- Fund distribution
- Broker-dealer services



- Audit
- Tax
- Registered fund expertise
- Significant private equity, fund of fund, and secondary accounting expertise



- Fund counsel
- Significant registered fund expertise



- Fund and adviser compliance
- Principal Financial Officer services

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To complement fund management, we have partnered with market leaders in '40 Act fund legal, compliance, administration, accounting, and distribution services

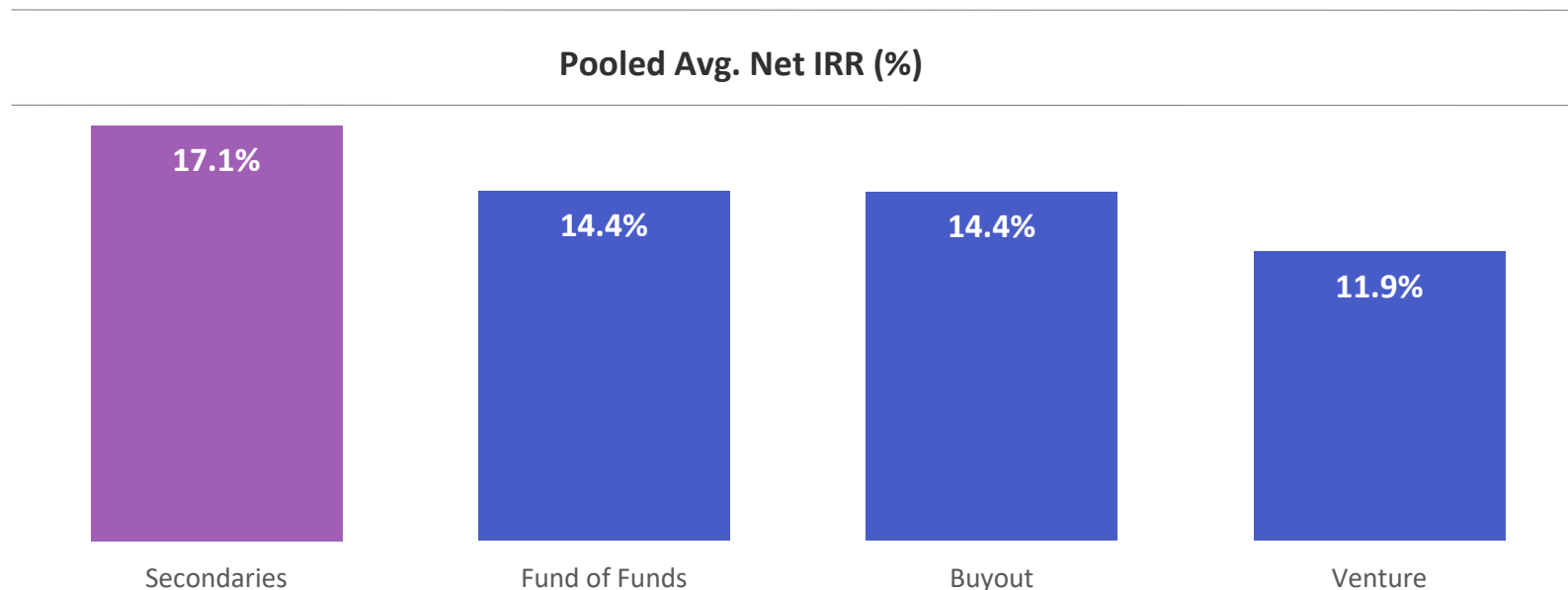
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# III. Secondary Market Overview

# Secondary Funds Returns Comparison



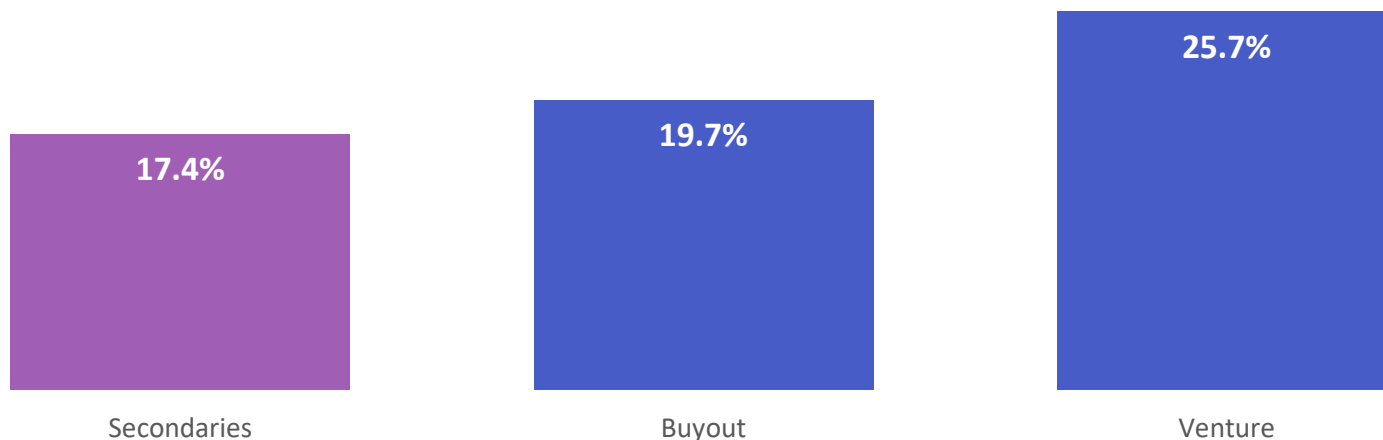
Source: PitchBook Data, Inc.

**Benefiting from shorter holding periods, purchase discounts, and the ability to compound return multiples through the reinvestment of proceeds, secondary funds have historically outperformed an index of traditional private equity and venture capital funds**

**Past performance is not indicative of future results.** Data Source: PitchBook, downloaded on May 31, 2023. Data is a comparison of secondary investments and private capital investments sourced from PitchBooks's database of 4,603 funds meeting certain search criteria with vintages from 2000 to 2021. This industry data reflects the fees, carried interest, and other expenses of the funds included in the data set. The fees, carried interest, and other expenses borne by investors in a FlowStone fund may be higher or lower than the fees and expenses of the funds reflected in the data set. See Glossary pages at the end of this presentation for more details. **PitchBook data is typically compiled from funds that elect to self-report. Thus, this data may not be representative of all secondary funds and may be biased toward those funds that generally have higher performance. Additionally, the funds included in these measures may lack commonality. Over time, components of the data may change. Funds may begin or cease to be represented based on these factors, thereby creating a "survivorship bias" that may additionally impact the data reported.**

# Secondary Funds Volatility Versus Direct Funds

## Standard Deviation of Average Net IRR by Strategy – Vintages 2000 - 2021



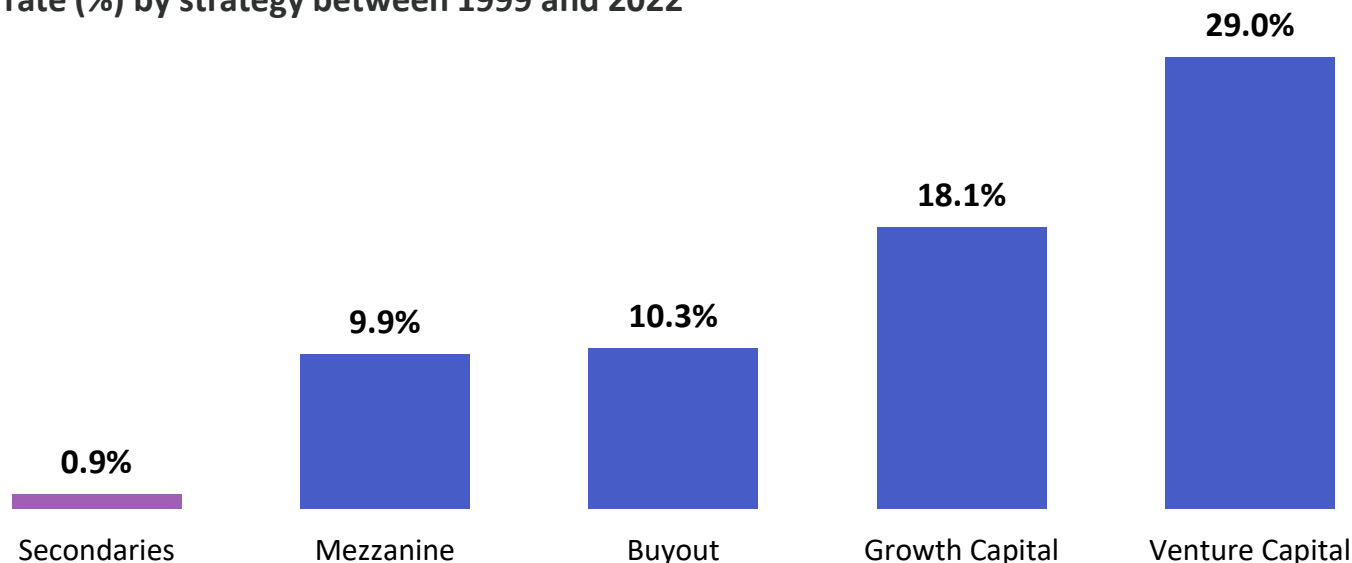
Source: PitchBook, IRR Standard Deviation

***The ability to evaluate mature assets, identify risks, and price them appropriately has historically resulted in lower volatility for secondary funds relative to an index of traditional private equity and venture capital funds***

**Past performance is not indicative of future results.** Data Source: PitchBook, downloaded on May 31, 2023. Data is a comparison of secondary investments and private capital investments sourced from PitchBook's database of 2,411 PE funds, 1,273 Venture funds, and 139 Secondaries funds, which met certain search criteria with vintages from 2000 to 2021. This industry data reflects the fees, carried interest, and other expenses of the funds included in the data set. The fees, carried interest, and other expenses borne by investors in a FlowStone fund may be higher or lower than the fees and expenses of the funds reflected in the data set. See Glossary pages at the end of this presentation for more details. PitchBook data is typically compiled from funds that elect to self-report. Thus, this data may not be representative of all secondary funds and may be biased toward those funds that generally have higher performance. Additionally, the funds included in these measures may lack commonality. Over time, components of the data may change. Funds may begin or cease to be represented based on these factors, thereby creating a "survivorship bias" that may additionally impact the data reported.

# Secondary Funds Loss Ratios Versus Direct Funds

Default rate (%) by strategy between 1999 and 2022



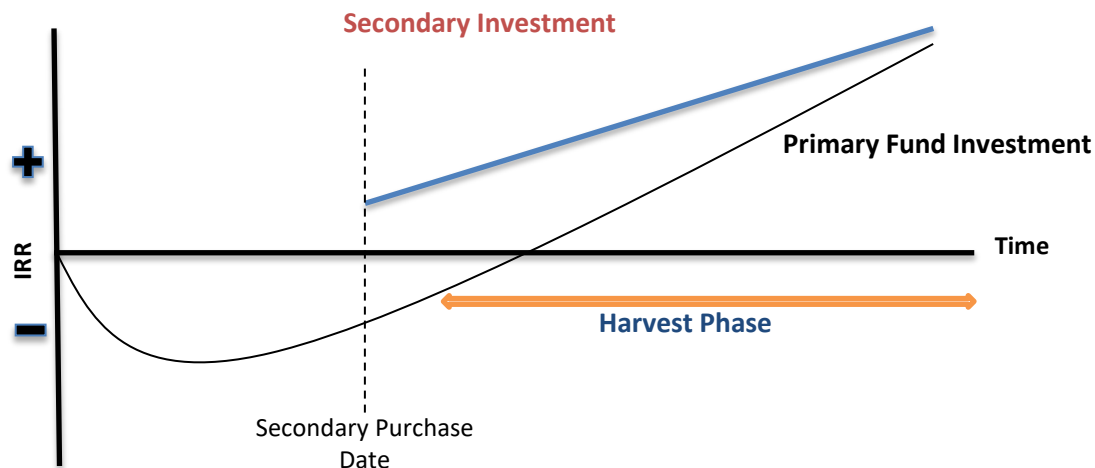
Note: Assessed based on the proportion of funds with a TVPI multiple below 1.0x  
Source: PitchBook, Funds <1x TVPI vs. >1x TVPI

**Greater diversification, shorter holding periods, acquiring mature assets, and purchase discounts may significantly reduce the risk of a secondary fund not returning capital**

**Past performance is not indicative of future results.** Data Source: PitchBook, downloaded on May 31, 2023. Data is a comparison of all secondary investments and all private capital investments sourced from PitchBook's database of 50,000+ private equity funds. This industry data reflects the fees, carried interest, and other expenses of the funds included in the data set. The fees, carried interest, and other expenses borne by investors in a FlowStone fund may be higher or lower than the fees and expenses of the funds reflected in the data set. See Glossary pages at the end of this presentation for more details. **PitchBook data is typically compiled from funds that elect to self-report. Thus, this data may not be representative of all secondary funds and may be biased toward those funds that generally have higher performance. Additionally, the funds included in these measures may lack commonality. Over time, components of the data may change. Funds may begin or cease to be represented based on these factors, thereby creating a "survivorship bias" that may additionally impact the data reported.**

# Secondary Strategy | J-Curve Mitigation

**Private Equity Funds typically experience negative returns during the first years of operation due to upfront investment costs and fees. The secondary strategy may help reduce or eliminate this J-curve effect**



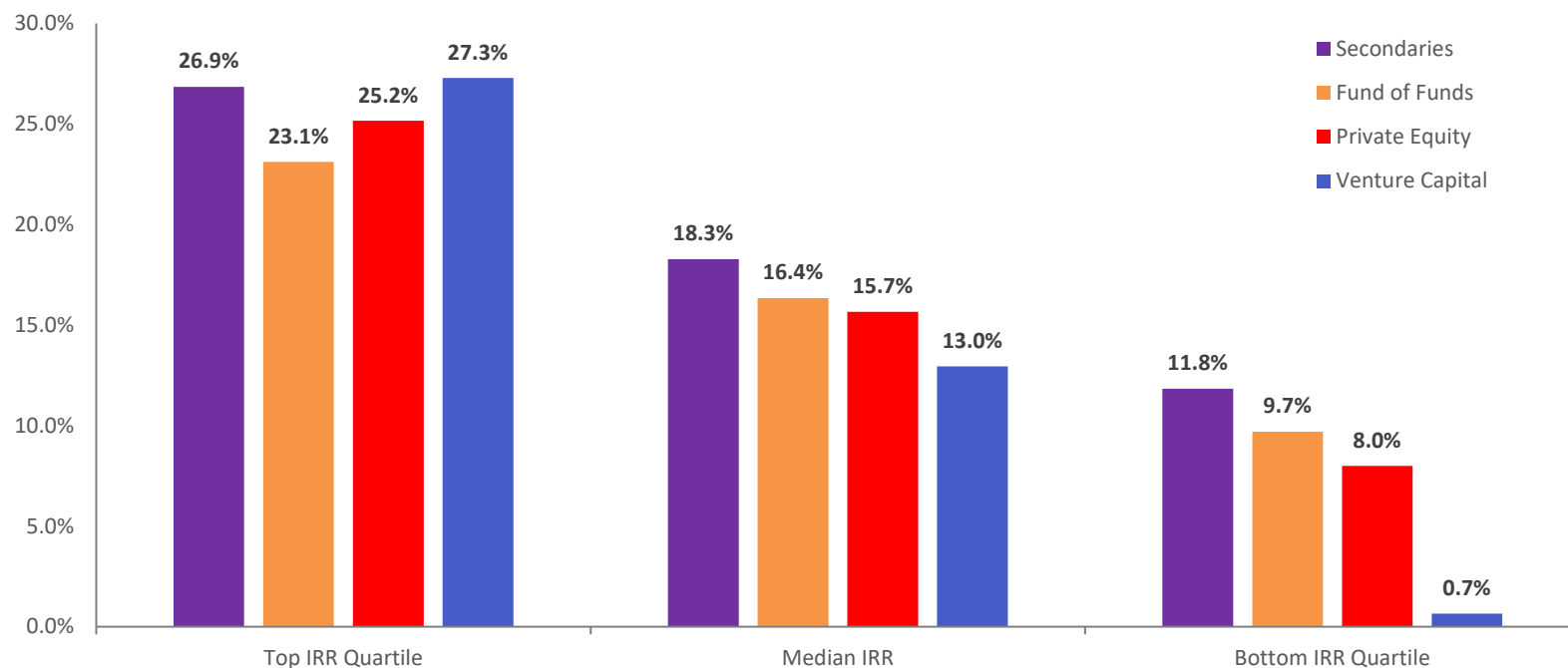
## Mitigation or elimination of the J-Curve effect

- Purchase discount to Net Asset Value and/or intrinsic value
- Assets acquired are mature and at or near the Harvest Phase
- At the time of acquisition, underperforming assets have often already been written down/off
- Avoid paying the first few years of management fees while capital is deployed

Not all private equity funds will be profitable given the inherent risks in investing in private equity, including macroeconomic factors and the performance of underlying companies.

# Quartile Returns by Fund Types

## Dispersion of fund performance between vintage years 2000 - 2022

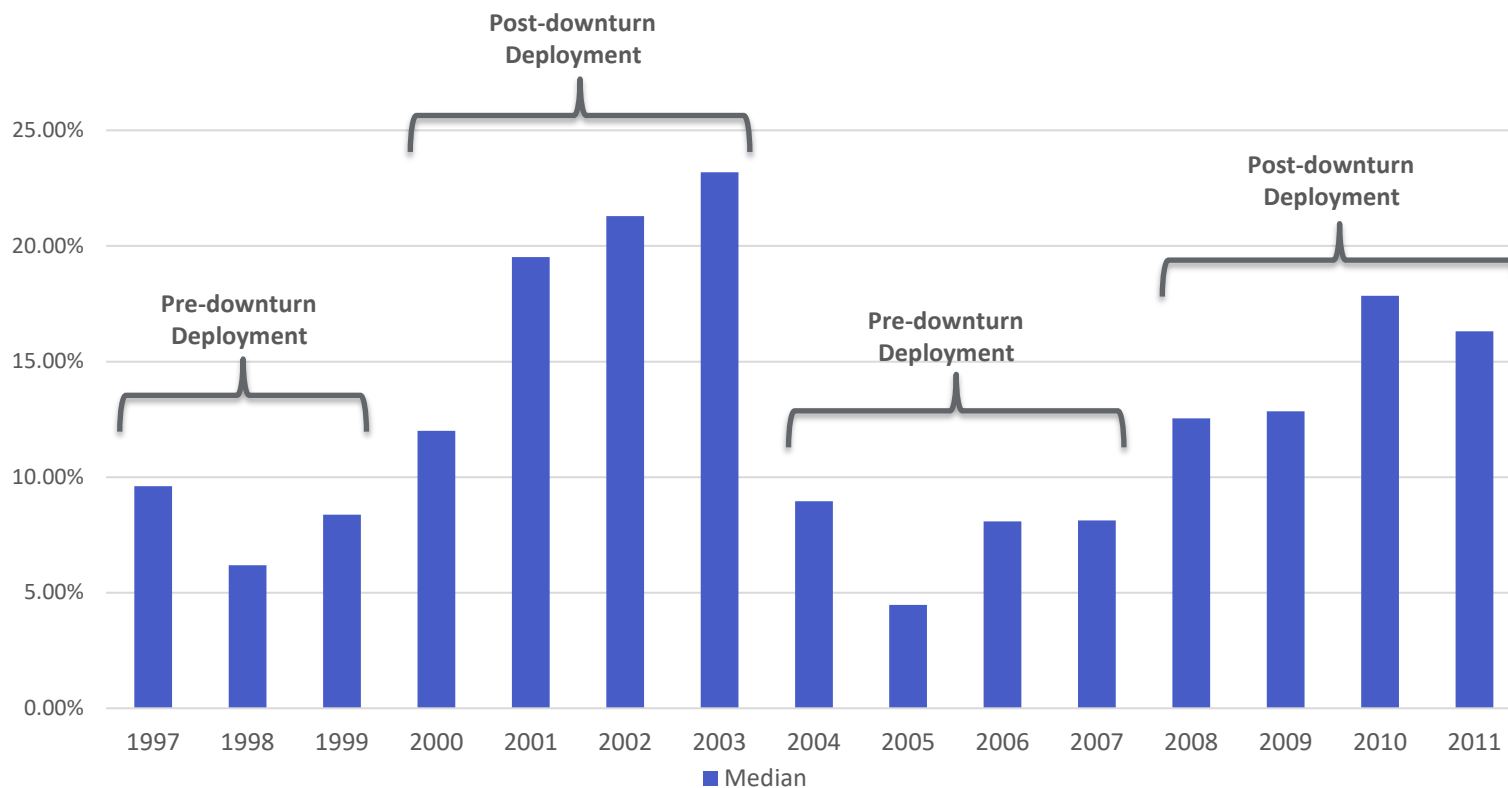


Source: PitchBook

**Secondaries have outperformed private equity, venture capital, and fund of funds strategies for funds raised from 2000 to 2022**

**Past performance is not indicative of future results.** Source: Pitchbook, the most recent performance data as of 2022. Data was downloaded on May 31, 2023. The sample set is comprised of 203 Fund of Funds, 2,354 Private Equity funds, 250 Secondary funds, and 1,054 Venture Capital Funds that met certain search criteria.

# Secondary Funds Performance By Vintage Year

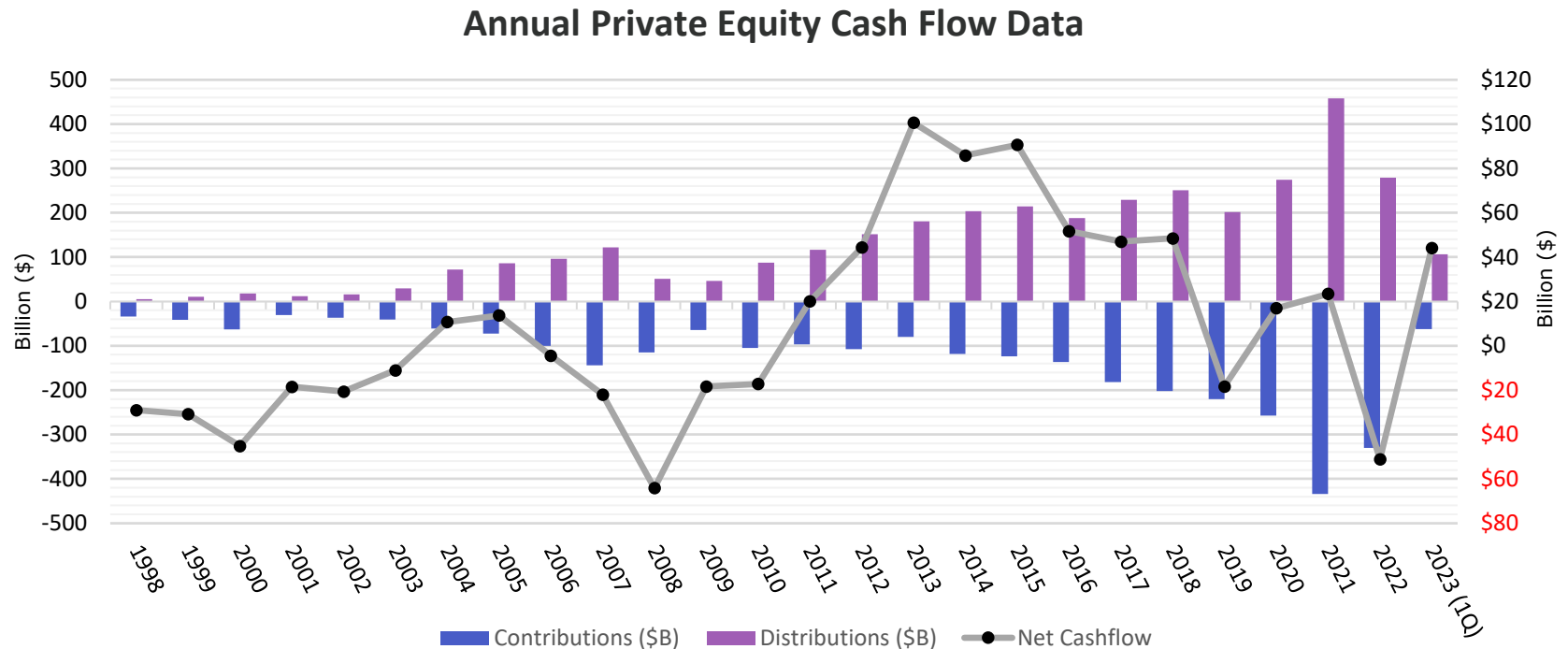


**Past performance is not indicative of future results.** Data Source: PitchBook, most recent available data as of 2021. Data is a comparison of all secondary funds from vintages 1997 through 2011 (168 funds). Data was downloaded on June 3, 2022. This industry data reflects the fees, carried interest, and other expenses of the funds included in the data set. The fees, carried interest, and other expenses borne by investors in a FlowStone fund may be higher or lower than the fees and expenses of the funds reflected in the data set. See Glossary pages at the end of this presentation for more details. **PitchBook data is typically compiled from funds that elect to self-report. Thus, this data may not be representative of all secondary funds and may be biased toward those funds that generally have higher performance. Additionally, the funds included in these measures may lack commonality. Over time, components of the data may change. Funds may begin or cease to be represented based on these factors, thereby creating a “survivorship bias” that may additionally impact the data reported.**



# Distributions Are No Longer Funding Capital Calls

Increased volatility in global capital markets has reduced exit activity and distributions to limited partners. As a result, private equity could become a consumer of investor liquidity for the first time since the Great Financial Crisis, as capital calls materially exceed distributions.

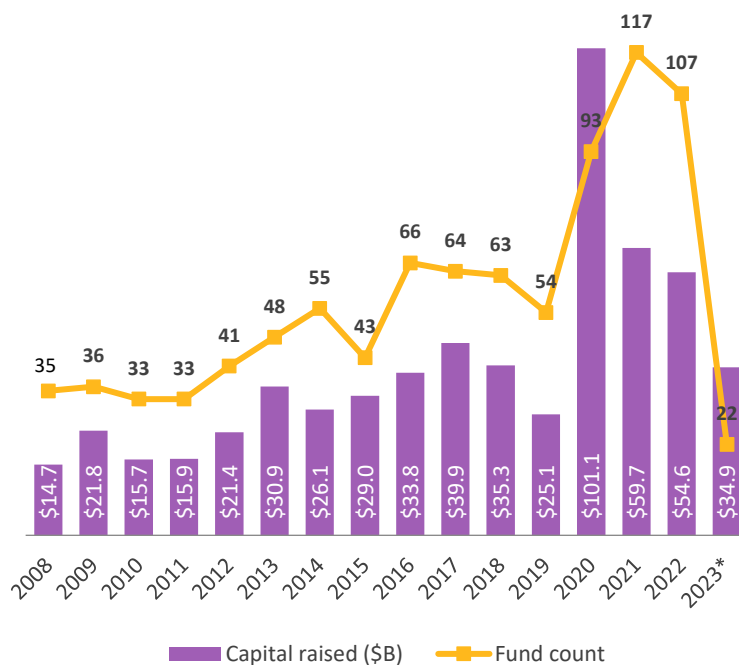


Past performance is not indicative of future results. Data: Pitchbook as of 3/31/2023  
Please see the Glossary for definition of the terms "Capital Calls" and "Distributions"



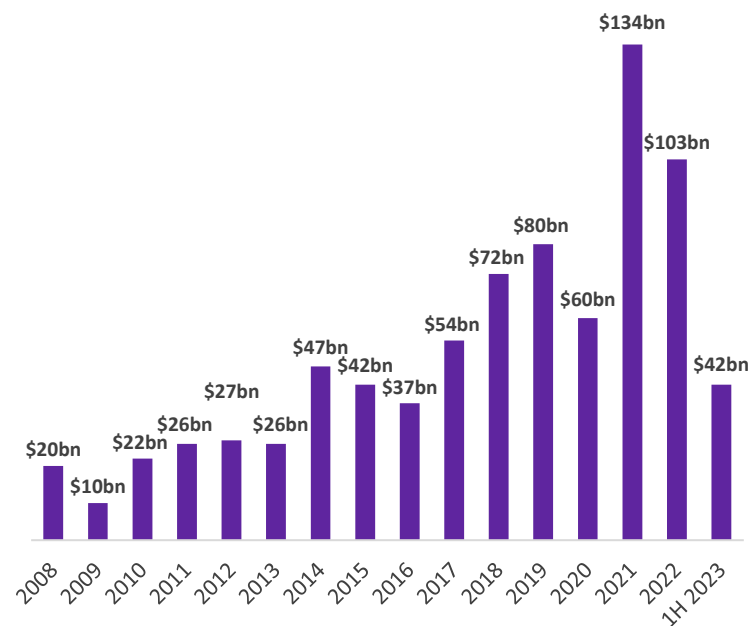
# Secondary Market Landscape

Global Secondary Fundraising



Source: PitchBook; 2023 Annual Global Private Markets Fundraising Report  
\*As of June 30, 2023

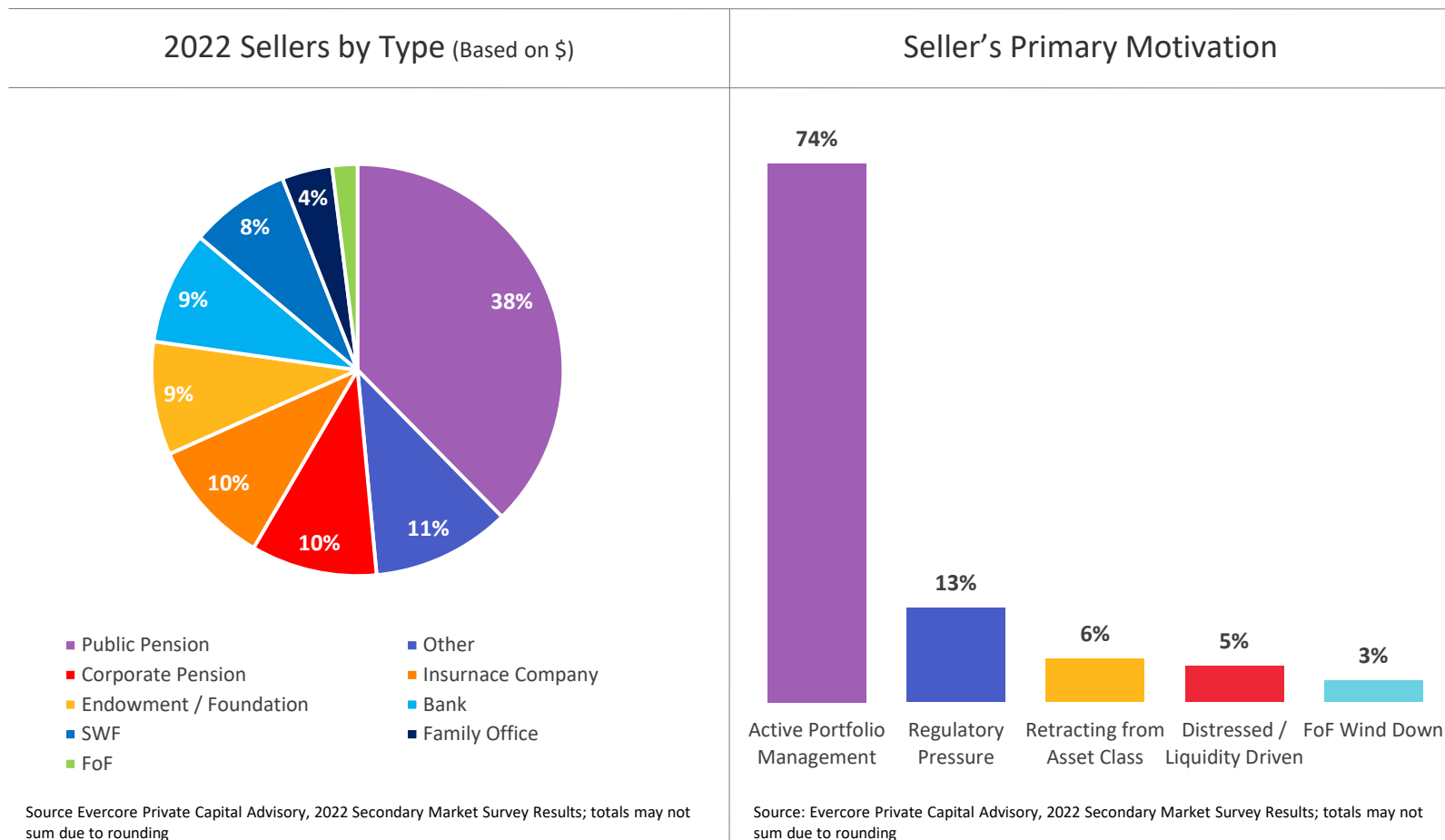
Global Secondary Transaction Volume



Source: Evercore Private Capital Advisory, 1H 2023 Secondary Market Survey Results

**The secondary market has experienced steady transaction and fundraising growth since its inception, becoming a key component of the private equity landscape**

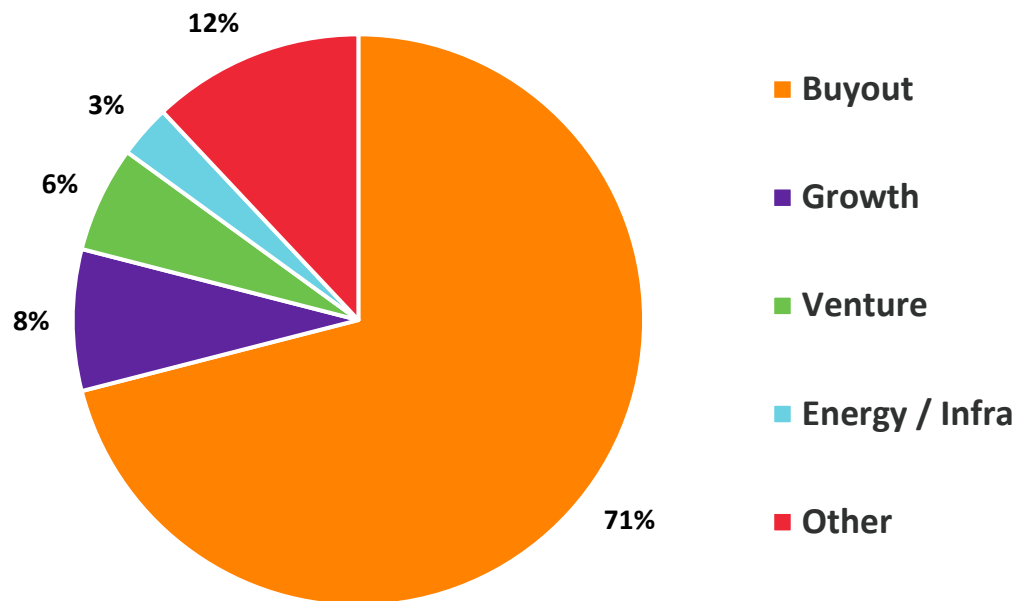
# Secondary Market Landscape



**Various investor types sell assets, and while motivations vary, active portfolio management has become the primary catalyst**

# Secondary Market Landscape

Private Equity Sold by Type – 2022 (Based on \$)



Source: Evercore Private Capital Advisory, 2022 Secondary Market Survey Results

**Buyout funds represent the majority of asset sales due to their large share of overall primary commitments and the relative lack of volatility and ease of pricing**



## IV. Fund Terms and Adviser Bios

# FlowStone Opportunity Fund | Terms and Conditions

|                            |   |
|----------------------------|---|
| <b>Structure</b>           | 1940 Act Registered Closed-End Fund<br>Units are registered under the 1933 Act<br>Continually offered closed-end fund   |
| <b>Permitted Investors</b> | Qualified Clients and Qualified Purchasers  |
| <b>Subscriptions</b>       | Quarterly, subscriptions due 5 days prior to quarter-end  |
| <b>Valuation</b>           | Advisor values the Fund assets quarterly and reports a Net Asset Value (“NAV”) per unit quarterly<br>Net Asset Value is subject to approval by the Fund’s Board of Trustees |
| <b>Distributions</b>       | Dividends are paid in Fund units unless otherwise specified by the investor   |
| <b>Redemption Option</b>   | Quarterly redemptions subject to 5% of the Fund’s NAV and Board approval<br>2% redemption fee within first 12 months  |
| <b>Tax</b>                 | Form 1099   |

| Available Share Classes                           | Class A  | Class D           | Class I              | Class M            |
|---|--|-------------------|----------------------|--------------------|
| <b>Maximum Sales Load</b>                         | 3.50%  | 1.50%             | None                 | None               |
| <b>Distribution/Shareholder Servicing Fees</b>    | 0.85%  | 0.30%             | None                 | None               |
| <b>Annual Management Fee<sup>(2)</sup></b>        | 1.25% annually of Fund assets, paid quarterly                        |                   |                      |                    |
| <b>Performance Incentive Fee<sup>(3)(4)</sup></b> | 10% of Fund gains (assessed quarterly, subject to a high-water mark) |                   |                      |                    |
| <b>Fund Expenses</b>                              | 0.70% annual expense cap <sup>(5)</sup>                              |                   |                      |                    |
| <b>Investment/Subsequent Minimum Investment</b>   | \$50,000/\$10,000  | \$50,000/\$10,000 | \$1,000,000/\$10,000 | \$100,000/\$10,000 |

*Note: This presentation is for discussion purposes only and is not intended to be an offer to sell or the solicitation of an offer to buy any securities. In the event securities were offered, this presentation would be superseded and replaced in its entirety by a preliminary or final term sheet, prospectus, offering agreement or memorandum, partnership agreement and/or other supplemental and controlling documents for a specific offer. In the event of any inconsistency between the information presented herein and that information presented in a preliminary or final term sheet, prospectus, offering agreement or memorandum, partnership agreement and/or other supplemental and controlling document, the latter shall govern in all respects.*



# FlowStone Opportunity Fund | Expense Summary

- <sup>(1)</sup> A 2.00% early repurchase fee payable to the Fund will be charged with respect to the repurchase of a Shareholder's Shares at any time prior to the day immediately preceding the one-year anniversary of a Shareholder's purchase of the Shares (on a "first in-first out" basis). An early repurchase fee payable by a Shareholder may be waived by the Fund, in circumstances where the Board determines that doing so is in the best interests of the Fund and in a manner as will not discriminate unfairly against any Shareholder. In addition, under certain circumstances the Board may offer to repurchase Shares at a discount to their prevailing net asset value. The Fund is not a liquid investment. No Shareholder will have the right to require the Fund to redeem its Shares. The Fund from time to time may offer to repurchase Shares pursuant to written tenders by the Shareholders.
- <sup>(2)</sup> The Investment Management Fee is equal to 1.25% on an annualized basis. For purposes of determining the Investment Management Fee payable to the Adviser for any month, the net asset value will be calculated prior to any reduction for any fees and expenses of the Fund for that month, including, without limitation, the Investment Management Fee payable to the Adviser for that month.
- <sup>(3)</sup> At the end of each calendar quarter of the Fund (and at certain other times), the Adviser (or, to the extent permitted by applicable law, an affiliate of the Adviser) will be entitled to receive an Incentive Fee equal to 10% of the excess, if any, of (i) the net profits of the Fund for the relevant period over (ii) the then balance, if any, of the Loss Recovery Account. For the purposes of the Incentive Fee, the term "net profits" shall mean the amount by which the net asset value of the Fund on the last day of the relevant period exceeds the net asset value of the Fund as of the commencement of the same period, including any net change in unrealized appreciation or depreciation of investments and realized income and gains or losses and expenses (including offering and organizational expenses). Because the Fund has not commenced operations the Incentive Fee has yet to be charged.
- <sup>(4)</sup> 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.
- <sup>(5)</sup> Other Expenses are estimated for the Fund's current fiscal year.



# Investment Advisor Bios

## **Scott Conners, CFA**

### **Managing Director**

Scott Conners is a Managing Director, President and Investment Committee Member with FlowStone Partners. Scott is responsible for product development, fundraising, transaction origination, due diligence, structuring, and closing. Since 1993, he has sourced or been directly involved with the investment of nearly \$7 billion. Prior to joining FlowStone Partners, Scott spent 22 years at Landmark Partners, one of the oldest and one of the leading private equity and real estate secondary purchasers. He joined Landmark in 1993 in the very early days of the private equity secondary market's development. Scott participated in the market's growth from less than \$500 million per year in transaction volume to over \$40 billion a year. He specialized in developing unique transaction structures and was an early-mover in asset lift-outs and fund restructurings. Scott retired in 2015 as a Partner with responsibility for co-managing Landmark's private equity secondary activities, with over \$11 billion in committed capital. Scott is the recently retired Board Chair of Hartford Youth Scholars, a non-profit focused on educational enhancement and access for the underserved youth of Hartford, CT.

Scott received his B.A. in Business Economics from the University of Maine at Farmington and his M.B.A. from The Pennsylvania State University. He has been a Chartered Financial Analyst since 1996 and is a member of the Hartford Society of Financial Analysts. He holds the FINRA Series 7 and Series 63 registrations.



# Investment Advisor Bios

## **Michael Carrano**

### **Managing Director**

Mike Carrano is a Managing Director and Investment Committee Member with FlowStone Partners. Mike has 21 years of secondary and direct private equity investment experience. Mike is responsible for portfolio management, transaction origination, due diligence, structuring, and closing of secondary and primary transactions. Prior to joining FlowStone, he was a Managing Director at Landmark Partners. Mike was active in all facets of Landmark's secondary private equity activities including transaction origination, negotiation, due diligence, legal closing and capital raising. He had a leadership role in investing over \$3.5 billion across various transaction types including portfolio acquisitions, fund recapitalizations, structured joint venture transactions and primary commitments. Mike served on various fund advisory boards and committees for investment vehicles managed by Providence Equity Partners, Ridgemont Equity Partners, Primus Capital, Caltius Capital Management and Udata Partners, among others.

Prior to Landmark, Mike was an Analyst at Conning Capital Partners, where he focused on direct investments in private companies in the healthcare and financial services sectors. He began his career as an Investment Analyst within GE Capital's Commercial Finance business unit.

Mike graduated from the University of Connecticut and received his M.B.A. from the Tuck School of Business at Dartmouth. He holds the FINRA Series 7 and Series 63 registrations.





# Investment Advisor Bios

## **Andreas Münderlein**

### **Managing Director**

Andreas Münderlein is a Managing Director and Investment Committee Member with FlowStone Partners. Andreas has over 17 years of private equity secondary, primary and co-investing experience. Andreas is responsible for portfolio management, transaction origination, due diligence, structuring, and closing of secondary and primary transactions. Prior to joining FlowStone, he was an Investment Manager at Partners Group. As investment manager in Partners Group's New York office and member of the Global Private Equity Secondaries Investment Committee, Andreas closed over 25 transactions representing over \$4.0 billion of invested capital. His responsibilities included the sourcing of investment opportunities, due diligence, transaction structuring, negotiations, and commercial execution.

Prior to Partners Group, Andreas worked at smac Partners GmbH, a private equity secondary direct firm, and Siemens Venture Capital in Munich, Germany.

Andreas earned his Master's Degree in Economics from the Ludwig-Maximilian University in Munich, Germany. He holds the FINRA Series 7 and Series 63 registrations.



# Investment Advisor Bios

## **Mark Phillip**

### **Managing Director, Head of Business Development & Investor Relations**

Mark Phillip is a Managing Director with FlowStone Partners, leading business development and investor relations. Mark has nearly two decades of experience in commercializing and investing in liquid and illiquid alternative investment strategies. Prior to FlowStone, Phillip was a Principal at MatlinPatterson Asset Management, a multi-billion-dollar credit platform. In that role, he led the launch and distribution of new fund vehicles, sub-advisory relationships, and separate managed accounts for institutional investors and wealth management platforms. Mark was particularly instrumental in the growth of MP Securitized Credit Partners, an opportunistic investor in structured finance markets.

Prior to MatlinPatterson, Mark was a Vice President at Morgan Stanley within the Alternative Investment Group. In that role, he was responsible for sourcing, conducting due diligence and covering investments in hedge funds.

Mark graduated with a Bachelor of Science in Finance degree from DePaul University and received his Master in Finance from the Mendoza College of Business at the University of Notre Dame. He holds the FINRA Series 7 and Series 63 registrations.



# Investment Advisor Bios

## **Charles Finnegan**

### **Vice President**

Charlie is a Vice President with FlowStone Partners. Prior to FlowStone Partners, he worked with Aberdeen Standard Investments as a Private Equity Senior Analyst, focused on secondary transactions, primary commitments, and direct co-investments. He was involved in all aspects of the investment process including sourcing, due diligence, industry review, and portfolio management.

Prior to Aberdeen Standard Investments, Charlie worked at AGC Partners, a sell-side investment bank focused on mergers & acquisitions and private placements in the technology sector. His primary responsibilities included performing valuation and transaction analysis and assisting with all aspects of the closing process.

Charlie holds a BA in Economics from Trinity College and was a member of the Trinity varsity lacrosse team. He holds the FINRA Series 7 and Series 63 registrations.



# Investment Advisor Bios

## **Tommy Beard**

### **Associate**

Tommy is an Associate with FlowStone Partners. Prior to FlowStone Partners, he worked with Boston Consulting Group (“BCG”) as a Senior Analyst in their Principal Investors & Private Equity practice area. At BCG, he conducted a wide range of commercial due diligence, portfolio value creation, and fund strategy for institutional investors across industries.

Prior to BCG, Tommy worked at Greater Sum Ventures (“GSV”), a middle-market private equity firm in Knoxville, TN. At GSV, he assisted in evaluating and sourcing investment opportunities in various SaaS and tech-enabled business services markets. Previously, he interned at Wells Fargo, Priam Capital and the United States Senate.

Tommy holds a B.A. in Political Science from the University of Tennessee where he was an appointed member of the Academic Review Board, Student Disciplinary Board and Tennessee Capital Markets Society.



# Investment Advisor Bios

## **Jordan Schneeberger**

### **Associate, Finance and Operations**

Jordan Schneeberger is an Associate in Operations and Finance with FlowStone Partners, providing support for the onboarding and ongoing administration of client accounts. In addition, Jordan provides operational support to the investment team and works on special projects.

Prior to FlowStone, Jordan was a Senior Associate at PricewaterhouseCoopers where he provided tax and advisory services to hedge funds and asset managers.

Jordan holds a Bachelor of Science in Accounting from Illinois State University.



# Investment Advisor Bios

## **Kenton Pettit**

### **Chief Compliance Officer**

Kenton Pettit provides chief compliance services to FlowStone Partners, LLC via ACA Group. Prior to joining ACA Group - utilizing his background in accounting, audit, law and management information systems - Kenton served in senior roles in the financial services industry, including as General Counsel and CCO. He has more than 25 years experience in developing effective compliance programs and solving complex regulatory issues.

Kenton holds a Bachelor of Business Administration from University of Wisconsin-Madison, Masters of the Arts in Public Policy from Duke University and Juris Doctor from Duke University



# Professional Bios

## **Trent Statczar**

**Chief Financial Officer, FlowStone Opportunity Fund LLC**

Trent Statczar provides treasurer and principal financial officer solutions to the FlowStone Opportunity Fund via ACA Group. Prior to joining ACA Group, Trent worked at Citi Fund Services as a Senior Vice President and served as the Treasurer for various mutual funds.

Trent graduated with a Bachelors of Science from Miami University



# Professional Bios

## **Andrew Jones**

### **Chief Compliance Officer, FlowStone Opportunity Fund LLC**

Andrew Jones provides chief compliance officer services to the FlowStone Opportunity Fund via ACA Group. He has been with ACA since 2016. His work at ACA has included serving as an outsourced chief compliance officer to registered funds and conducting extensive reviews of prospective ACA clients, advisers and products marketed under ACA's affiliated broker-dealers. He has led executive training sessions on complex private and registered products and has produced industry commentary on closed-end interval and tender offer funds. Andrew regularly conducts independent anti-money laundering audits for ACA's registered fund clients, as required under the Bank Secrecy Act. Andrew serves as an AML subject matter expert within ACA, including providing AML training sessions and authoring articles for outside publication. He maintains the CAMS designation (Certified Anti-Money Laundering Specialist), Investment Adviser Certified Compliance Professional® (IACCP®) designation, and FINRA Series 7 registration.

Andrew graduated with a Bachelor of Arts in Economics and Government & Legal Studies from Bowdoin College.





# Fund Board of Trustees

## **Independent Board Members**

Jason Gull – Retired; Former Global Head of Secondaries, Adams Street Partners

Marek Herchel – Head of Americas, MLC Private Equity; Formerly Managing Director and Head of U.S. Fund Investments, Alpinvest

Michael Moskow - Vice Chair and Distinguished Fellow, Global Economy, The Chicago Council on Global Affairs; Formerly President and CEO of the Federal Reserve Bank of Chicago

Shoshana Vernick – Co-founder and Managing Director of Avathon Capital; Managing Director of Sterling Partners; previously an Associate at One Equity Partners LLC and an Investment Banking Analyst at Merrill Lynch

## **Advisory Board Member**

Craige Stout – CEO, Stout Risius Ross, LLC, a global investment bank and advisory firm specializing in corporate finance, valuation, financial disputes, and investigations.

W. Walter Green – Retired, J.P. Morgan; Chairman of the Advisory Board – College of Charleston School of Business Investment Program



# 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.

**Capital Calls** – Unfunded capital drawn down from investors periodically to finance investment activity and fund operations

**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.

**Distribution** – Cash flow provided to the limited partner of a private equity fund related to the liquidity proceeds realized through a liquidity event for one or more portfolio companies.

**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

**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.