BALENTINE

Private Capital Guide

Greetings,

*After a lifetime of building wealth, you may wonder: What comes next?
How can I be a responsible steward? How can I support my family for generations?*

With wealth comes opportunity. There are many possibilities for protecting and growing your wealth, and private capital is a useful tool to reach these long-term goals.

What is private capital?

Private capital *refers to investment outside public markets, which we categorize into private real assets, private debt, private equity, and opportunistic.*

Private capital is the lifeblood of entrepreneurs. *When your business was in its earliest stages — a germ of an idea or a seedling of a company — you likely received private capital infusions that helped nourish it. In exchange for equity in your company, established entrepreneurs believed in you and helped pave the way for your success by supplying capital and expertise. Today, private capital allows you to be the established entrepreneur. As the leader of a mature business, you can help founders cultivate their ideas with strategic, intentional private capital investment.*

Private capital also provides the opportunity for you to grow your substantial wealth for generations. *Thinking about your wealth long term creates opportunities for longer-term private capital investments with the potential for returns that exceed public markets. Long reserved for institutions and pension plans, we have evolved private capital to make it more accessible to families like yours.*

Though you may be ready to invest in private markets to help support the next generation of entrepreneurs, you may not know exactly where to start. There are a seemingly infinite number of opportunities, and you may wonder: how does private capital fit into my portfolio? Which opportunities are right for me?

At Balentine, we seek to protect and grow the wealth of families of significant means for generations. We also strive to educate our clients and community on what we believe to be a disciplined, prudent approach to private capital investment. We hope you find this guide informative wherever you are on your wealth journey.

Sincerely,

Mark Bell, Ph.D.
Head of Business Advisory
and Private Capital
Partner

Benjamin Webb, CFA
Director
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Principal

Why Private Capital?

For families of significant wealth with portfolios concentrated in public markets, private markets provide potential opportunities for excess return and diversification.

In the public market, returns are based on a framework where shareholders own a small percentage of a company in a competitive and efficient marketplace. We see public markets as the equivalent of buying wine at the grocery store. Anyone can walk into the grocery store and pick up an average bottle of red wine — just like anyone can purchase the S&P 500 and expect to receive an average of a 4% return over inflation in the long run.

Private markets, on the other hand, are accessible only through collaboration with experts. They require shareholders to pay a higher price for the opportunity to achieve greater results. Here, investors with specific preferences and additional resources can access top-echelon opportunities.

Many people are content with investing only in the S&P 500. In fact, it is a solid plan for people who wish to grow their assets over a lifetime and do not have the flexibility to take on some illiquidity. However, as a person with significant means and the desire to preserve and grow your wealth for generations, it may make sense for you to have a more thoughtfully crafted, bespoke portfolio designed with both public and private exposure — accepting some illiquidity for the opportunity to experience excess returns and diversification over the long-term.

Establishing a private capital program is a long-term investment strategy for future generations.

How does private capital offer these advantages?

The private market provides control, expanded opportunity, and private market premium.

CONTROL

Investors typically have less control over investments in the public market and more control in the private market.

Public: Public market shares trade at what the public believes is fair market value. Investors can easily buy and sell shares as desired, so a negative perception of the company can precipitate a drop in share prices. CEOs of public companies must report quarterly earnings to the public. Sensitive to public scrutiny, they typically avoid short-term unprofitable ventures that could help their company achieve longer-term profitability.

Private: Investors generally enter the private marketplace through direct deals or a private capital firm, which seeks to invest in companies, fuel growth, make improvements, and sell its stake to turn a profit over a long-term time frame. The stake is typically 20–100% of a company's worth, which means the PC firm can influence decisions in the company without worrying about the structures in public companies that can slow change — such as reporting quarterly earnings or needing to gain board votes to enact its plan.

EXPANDED OPPORTUNITY

Most investors utilize the public market as an alternative to cash holdings. The private market is an additional avenue for families of significant means to protect and grow their wealth.

Public: The public market refers to publicly-listed companies, of which there are roughly 3,000 in the United States. Investment in specific companies enables the concentration of assets and the potential for modest returns over time, and index funds allow investors to capture broad market returns over time.

Private: Wealth is created with concentration, and it is protected through diversification. With primary investment in a business, wealth creators must take care to diversify their portfolios around that exposure. Private capital provides access to opportunities outside of public markets, enabling diversification of return sources. There are about 200,000 small businesses in the United States alone, so managers can be selective and face less competition when looking for companies to invest in.

Case Study:

An example of this is a private investment in infrastructure. While an investor can purchase listed shares of a solar company, the investment is exposed mainly to manufacturing of solar panels along with the management of the business. In the private markets, investors can invest in solar fields and be exposed to the cash flows of the power generation and value increase of the land. This is a diversifying stream of returns versus the public equity of the solar company. Diversifying the make-up of total return becomes much more impactful within private markets.

An example of this would be investing in real estate. The spectrum of real estate ranges from core, which are prime buildings in gateway markets, to opportunistic, which can be half-vacant apartments needing work. While both are investments in real estate, the different risks cause them to carry a different return profile. Core buildings can return 6–8% a year with over half the return coming from yield. Opportunistic can return 12–15% total return, with the majority of it coming from capital appreciation.

Private Market Premium

Increased control and expanded opportunity in private markets means investors take concentrated bets on specific companies and firms. This additional risk can create excess return — the private market premium.

How can you navigate the downsides of Private Capital?

To access the private market premium, investors must be willing to accept some downsides. At Balentine, we've built our program to optimize the trade-off between returns and drawbacks.

COMPLEXITY

The partnerships that are needed to access private capital come with much more paperwork and more complex tax reporting than purchasing an investment from the public markets.

Balentine's Approach: We strive to minimize inconvenience to our clients and reduce potential human error by utilizing technology platforms to manage paperwork.

ILLIQUIDITY

Private capital investments require some illiquidity — managers might need years to make operational improvements that will net a premium for investors. To capture the premium, investors must be willing to part with their invested funds for a period of time.

Balentine's Approach: We are conservative on the amount of private capital recommended for portfolios. Through rigorous scenario analysis, we determine the maximum amount of illiquidity a client should take based on the spending rate of their portfolio. The higher the spend rate, the less illiquidity we recommend.

ACCESS

Investing in the best managers can come with high minimums and limited access. Individual investors want direct access to companies with the next generation of new ideas but do not likely have the purchasing power to make a meaningful investment in that company or fund.

Balentine's Approach: We use our experience and size to negotiate favorable terms to access managers at minimums that allow investors to right-size the investment in their portfolio. In places where we cannot negotiate down the minimum, we build internal partnerships and pool our clients' money to access these managers at scale. We do not take any additional profit from these partnerships, seeking only to cover their cost.

FEES

Fees are higher in the private markets than they are in the public markets.

Balentine's Approach: We ensure fee structures for our recommended funds align the manager with our clients' outcome, steering clear of managers trying to aggregate assets and live off the management fee. When possible, we negotiate lower-than-stated fees and pass those savings through to our clients.

Case Study: Decarbonization

Over the next generation, we believe the decarbonization of our energy infrastructure could provide tailwinds for investors.[1] Seeking to help our clients access this opportunity, we created the fund Decarbonization 2022. This internal partnership pooled client assets and committed those assets to three managers we believed were best-in-class and focused on transitioning high-carbon businesses and processes to low-carbon, building small-scale solar fields, and investing in the next generation of carbon-reducing technology.

Decarbonization 2022 has three distinct benefits for our clients:

1. **Access.** High minimums are common in institutional-level managers — for example, if a client had tried to access these three managers on their own, they would have had to commit a minimum of $20 million. Pooling assets together in one fund allows Balentine clients to benefit from institutional-level investments without paying an institutional price tag.

2. **Right-Sized Investments.** Each client has a unique investment portfolio, including custom liquidity constraints. We created a low minimum for Decarbonization 2022 to ensure that even with this diversity of needs, each client could customize the size of their investment to serve their overall portfolio strategy.

3. **Reduced Complexity.** Instead of one set of documents for each manager — including account opening documents, capital calls, and tax reporting — investors receive only one set for Decarbonization 2022.

We seek to ensure our clients enjoy as much of the return as possible, so we don't take additional profit through additional management fees. The only cost to our investors is the fund's operational cost.

1 Read more about Decarbonization, one of our Intergenerational Investing Themes, on page 11

Your Private Capital Guide

Now that you've entered the world of private capital, you may wonder where to start. How do you determine a reasonable level of liquidity? Then, how do you decide where to invest?

With decades of expertise in this field, we strive to provide our clients with a custom private capital experience reminiscent of drinking a bottle of Burgundy sourced directly from vineyards in France — rather than picking up a bottle of red from the grocery store.

At Balentine, we view private capital as a critical element for most intergenerational families' long-term wealth strategies, and we develop customized, boutique private capital offerings to support families for generations.

How can you build your private capital portfolio to grow wealth for generations?

Your custom portfolio will be grounded in time-tested, data-driven strategies.

Now that you understand the power private capital can help unlock, you're probably wondering:

- **How do I decide how much private capital to have in my portfolio?**
- **How can I choose the right opportunities?**
- **In a world of over 8,000 private capital funds, how many funds should I have?**
- **How can I achieve the right balance of funds to preserve and grow my wealth for generations?**

We aim to provide our clients with a full-service private capital offering, drawing on our expertise so you don't have to get caught up in the details. On a strategic level, we continually evaluate the market landscape and select private capital opportunities based on asset classes we believe are poised to outperform. Then, we partner with specific managers to access funds within each asset class. These partnerships enable us to provide a boutique, exclusive experience for you. We cater directly to your needs, utilizing our expertise to curate a custom portfolio balancing your liquidity needs, portfolio size, and time horizon.

How do we select your private capital investments?

Your investments will be chosen thoughtfully in partnership with managers who meet rigorous criteria.

Selecting specific investments for your custom private capital portfolio is like carefully curating a wine cellar. Just like you want a balance of different wines to match any occasion, you want a balance of private capital investments in your portfolio. When we're selecting investments, we first identify our desired asset class. Then, we evaluate its ability to outperform, including its connection to an intergenerational theme. Finally, we vet and select specific managers within the asset class.

Read more about our three-step process below:

1. Identify Asset Class

Your portfolio will be comprised of asset classes we believe are poised to outperform public markets.

You can think of asset classes as the wine varieties of the investment world. Asset classes represent different types of investments: stocks, bonds, commodities, cash, real estate, or currencies. When constructing a private capital portfolio, it's best practice to seek assets that are deep and established with structural, sustainable advantages over public markets.

Assets that are deep and established:
Some asset classes have a long history of achieving excess return on investment, increasing our confidence in allocating to them — in contrast to fad asset classes that come and go every few years. The core asset class holdings in our portfolios today are private equity, private real assets, and private debt.

Assets with structural, sustainable advantages over public markets:

- **Private Equity** is advantageous because it is not beholden to a quarterly earnings cycle and investors can make active, meaningful decisions that impact the investment. In public markets, investors are mostly passive shareholders.
- **Private Real Assets** are advantageous because investors can make targeted investments based on type, region, and ownership. In public markets, investors access broad-based and diversified investments.
- **Private Debt** refers to bonds issued to companies by private market lenders rather than banks or public markets. Investors in these bonds benefit from higher rates and stricter covenants than they would from bonds issued in public markets.

Taking an Opportunistic Approach:
Across these core asset classes, we aim to be opportunistic, looking for investments that are advantageous based on market circumstances.

Case Study: Avoiding Hype

Providing expertise on client investment portfolios means that, in addition to pointing to asset classes we believe are poised for success, we also try to steer away from asset classes where the data is unclear.

Cryptocurrency became a hot topic in the investing world in 2017 — and according to Pitchbook, $922 million was raised in the private markets for cryptocurrency and blockchain funds that year. That number ballooned to nearly $22 billion in 2022, over 20x in just five years. Our data-driven approach led us to be skeptical of the cryptocurrency markets and we passed on a number of household names that were high-fliers at the time. This proved to be a good approach as these business models returned to earth.

We simply need more data to determine whether cryptocurrency is worth investing in. Time may prove cryptocurrency is a deep and established asset class, and we're willing to be fashionably late to a party to ensure we show up at the right one.

We have conviction that often the biggest impact is in the private deals you avoid.

2. Select Qualities or Themes

Many of your investments will have qualities we believe could further amplify their performance over the long term.

We believe some investments have qualities that could make them more attractive in portfolios, similar to selecting a wine to match the meal or occasion. These qualities relate to broader, long-term trends impacting markets and livelihoods over decades — which we call intergenerational themes.

We've identified four that we believe offer areas of interest and focus:

Decarbonization: This is the process of replacing traditional carbon-based processes with non-carbon-based processes or capturing and mitigating the carbon in existing processes.

- **Investment Opportunities:** renewable and clean energy, reimagined mobility, clean hydrogen and new fuels, and nuclear fusion

Artificial Intelligence & Machine Learning: This burgeoning technology could create the next industrial revolution that will transform our economy over the next generation.

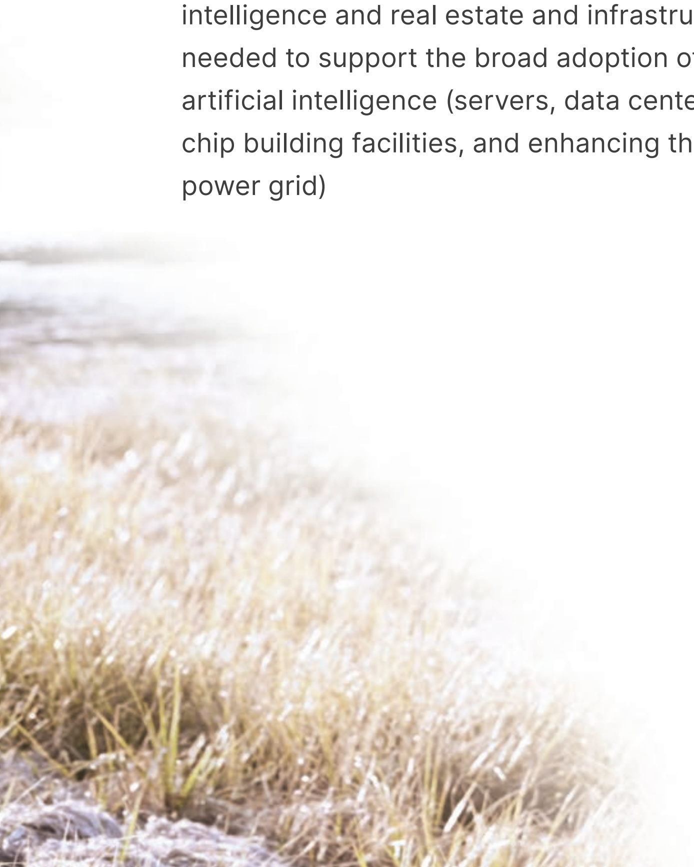
- **Investment Opportunities:** investment in new companies solving old problems with artificial intelligence and real estate and infrastructure needed to support the broad adoption of artificial intelligence (servers, data centers, chip building facilities, and enhancing the power grid)

Growth of the Sun Belt: People are moving to the Sun Belt, the southern half of the United States, in droves, and bringing spending, business, education, and ideas.

- **Investment Opportunities:** fueling strong economic growth in all sectors of the economy and specific infrastructure to support the growth such as housing units needed to support the migration

A Medical Revolution: A new "Golden Age of Medicine" could revolutionize healthcare, pharmaceuticals, and biotech. Diseases such as cancer and Alzheimer's are coming into the target range for solutions to transform the developed world's life expectancy and quality of life.

- **Investment Opportunities:** investing in medicine to cure chronic diseases and extend life and infrastructure to support people living longer, healthier lives (assisted living facilities, independent living, 55+ communities, doctor's offices, hospitals, etc.)



3. Choose Manager

To grow your investment, you'll partner with thoughtful and experienced managers.

As the people managing your investment every day, we believe carefully selecting a manager is of the utmost importance. Once we have identified broad investment goals, we partner with managers who offer direct investment opportunities in our desired asset classes and themes. Private capital is a long game, and we seek to partner with managers with a thoughtful approach to their work in an effort to provide the best possible opportunities to our clients, like a wine maker guiding your selection.

Here are some of the criteria we use in our vetting process:

- **Strong Team:** The management team has a history of working together and a clear succession plan. This shows the manager is thoughtful about who they hire and cares about the longevity of their investment.
- **Proven Experience:** The manager has managed funds through multiple cycles and market environments. We typically avoid first-time funds.
- **Philosophy:** The manager's philosophy aligns with current opportunity in the market. In addition, we think it's important that they're focused on improving the underlying company or asset and not purely on financial engineering.
- **Process-Driven:** The manager's investment process is clear and repeatable. The manager has an apparent edge in deal sourcing, and it has implemented changes in the process over time that have led to better results
- **Active Management:** We look for our general partners to take active roles in the companies, helping grow revenue, manage expenses, professionalize the business, and get the right people in the right positions. Unlike active public managers, much of the work begins after the investment.
- **Alignment:** The manager invests alongside our clients in the fund and makes the majority of its money through participation in profits. This increases the likelihood of success as the manager's wealth is tied to the fund's success.
- **Performance:** These above attributes manifest themselves in consistent first and second-quartile performance. Underperformance is explainable, and lessons learned have led to process improvements.

We believe it's likely that someone with decades of experience at a family-owned vineyard will produce wine with better skill than someone who's just moved to Napa to start a vineyard from the ground up. We evaluate our managers using the above criteria to ensure they have deep roots.

Case Study: Energy Impact Partners III

When we launched our fund Decarbonization 2022, we sought managers with expertise investing in technology focused on removing carbon from our energy system. Our search consisted of dozens of conversations and meetings, and one manager kept rising to the top of the group, Energy Impact Partners III. EIP III utilizes teams of investment professionals and energy specialists to source and underwrite deals in emerging technology. It also seeks feedback on the technology underpinning these deals from a council of potential users of new decarbonization technologies. Insights from these end users, utilities, and large corporations provides EIP III with information about whether the deals sourced by their teams are practical for the intended end user. We believed this immediate feedback loop on technologies from the intended end users, and a ready and willing customer base, gave them an advantage over other managers.

How do we balance private capital investments within your portfolio?

A mixture of diversified, focused, and concentrated investments across asset classes provides a solid foundation for growth.

Our private capital portfolios seek to provide clients with diversified exposure to different types of investments within asset classes. As your portfolio grows, we provide additional investment opportunities, including broadening exposure across sub-asset classes and co-investing directly alongside world-class managers. All the while, we identify investments aligned with our intergenerational themes.

The Core-Moon-Satellite Model

Diversification

The portfolio's core provides broad market exposure, while moon and satellite holdings target specific sectors or themes, further diversifying the portfolio.

Enhanced Return Potential

The combination of a diversified core portfolio and strategically chosen moon/satellite holdings can enhance the overall return potential of the investment portfolio.

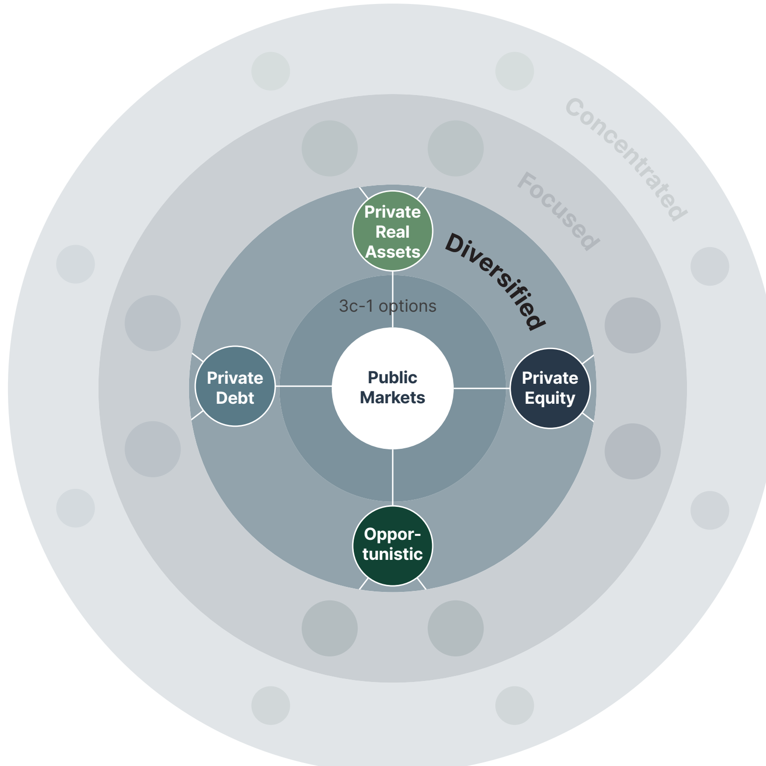
Flexibility

Our moon/satellite investments change over time based on changing market conditions, economic outlooks, and opportunities, creating a dynamic investment strategy.

DIVERSIFIED

You can invest in our model with any amount of capital. You'll start with a **diversified** portfolio, providing broad exposure to our three main asset classes with the potential for opportunistic investments. Within each asset class, you'll invest in diversified funds with balanced exposure.

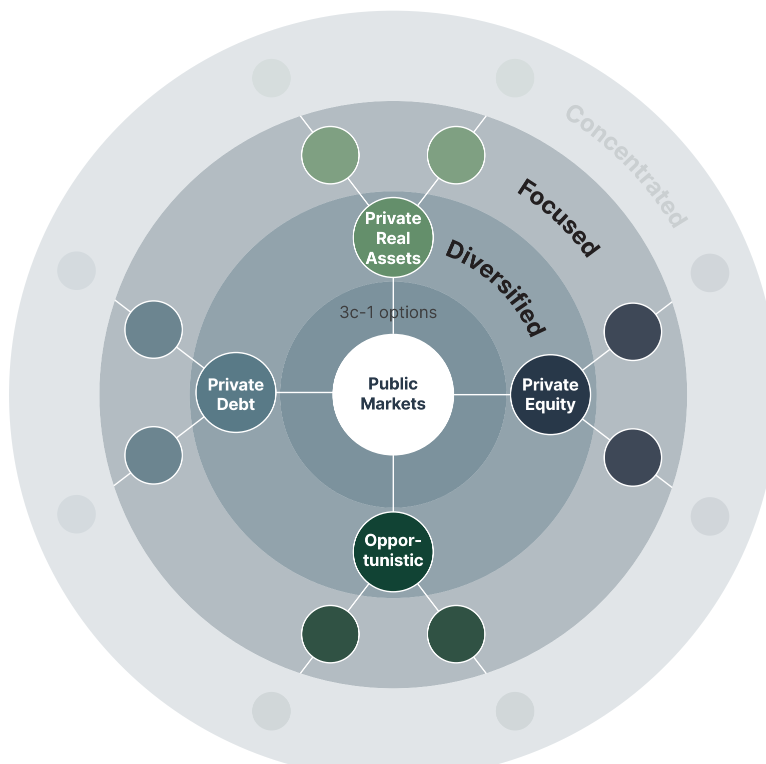
Example: A private real asset diversified holding might be comprised of real estate within multifamily, industrial, office, and retail properties.



FOCUSED

On the **focused** level, asset selections incorporate our intergenerational themes. You can think about these investments as special occasion wines — saved for birthdays, anniversaries, and celebrations.

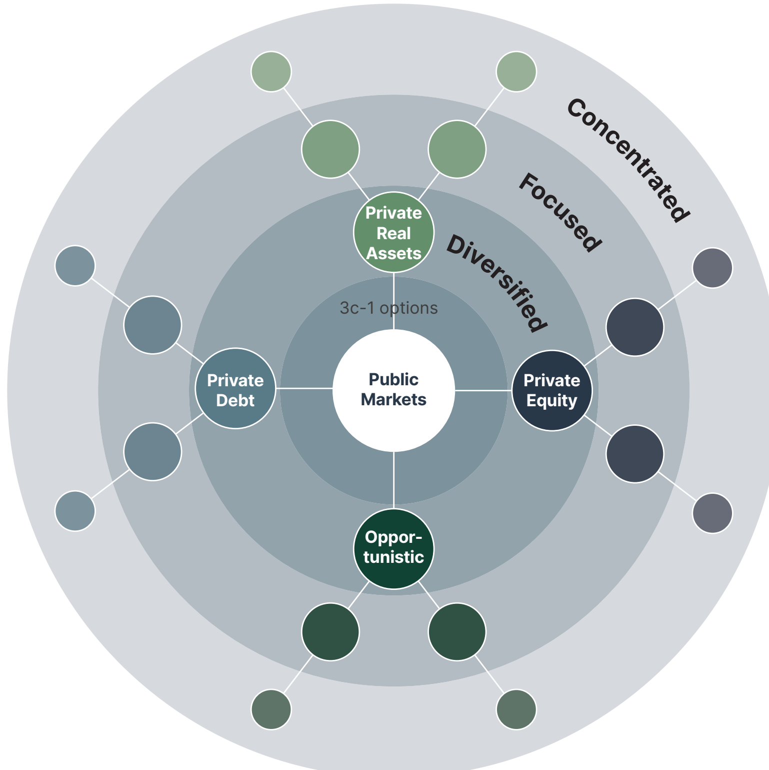
Example: Investing in private real estate in the Sun Belt



CONCENTRATED

On the **concentrated** level, investments can be specialized funds or specific companies. These investments incorporate intergenerational themes. They are like the very special, very rare wines saved for milestone birthdays and anniversaries.

Example: Investing in a medical office in the SunBelt — encompassing multiple intergenerational themes



Case Study

What does this model look like in action? Here's how we set it up for Private Infrastructure, a subset of Private Real Assets:

- **Diversified:** A broad group of funds with global exposure to communications, energy, and transportation.
- **Focused:** Here, we emphasized our intergenerational theme of decarbonization by selecting funds with exposure to the transition into clean energy.
- **Concentrated:** We made one investment in a fund building small-scale solar panels in the northeast.

Why Balentine?

Protecting and growing your wealth for generations requires a strategic approach defined by discipline and experience.

We Are Process-Driven, Not Product-Driven

Your best interests should guide your private capital portfolio, and we keep your needs in focus with data-based, custom solutions. What makes a discerning guide?

We Are a Disciplined Fiduciary

As you strive to protect and grow your wealth, you deserve a partner dedicated to putting your needs first. With our time-tested guiding philosophy as the foundation for your custom portfolio, your investment is protected from fads.

Advice, Not Products: Traditional wirehouses often charge a placement fee and an ongoing yearly fee for private capital investments. In contrast, we've modeled our private capital offering on advice — not products. We never charge fees for investments, so we are not incentivized to put clients into private capital vehicles, and we only recommend funds to investors who are an appropriate fit.

Incentives Aligned With Yours: We do not chase the latest trend or the best-performing fund. Instead, we follow our discipline, thoughtfully selecting asset classes we believe are poised to outperform, partnering with rigorously vetted managers, and curating bespoke portfolios that balance your liquidity needs, portfolio size, and time horizon. In addition, our employees invest in our recommended funds and internal partnerships, creating alignment with our management of the fund.

Bespoke Funds: Accessing top-level private capital managers can be difficult, so when it becomes impossible for our clients to access managers directly, we create internal partnerships and pool client money to face the private capital fund. We do this at no additional profit, seeking only to cover the cost of the partnerships.

We are Experienced & Opportunistic

Sometimes, one-off investment opportunities present themselves. With our years of experience in private markets, we can help you confidently navigate them.

Direct Deals: With wealth comes opportunity, and you have likely been approached directly to invest in new companies, properties, or deals – though you may not know exactly how to evaluate them. We review hundreds of opportunities on behalf of clients, and we welcome the opportunity to analyze your family opportunities. We know we do not have a monopoly on good ideas and approach outside deals with an unbiased analysis. It is our goal to provide you with the confidence and discernment to say no, the courage to say yes, and a recommendation of how much to invest based on a total view of your wealth picture .

Tactical Allocations: Entrepreneurs understand the importance of aligning opportunity with action, and we constantly assess the marketplace for mispriced opportunities that provide asymmetric payoffs for our clients. We are built to move quickly on these deals as they are typically not long-lasting. For example: we implemented a partnership to buy distressed hotels at the end of 2020 when COVID caused significant disruption to the hospitality industry. In addition, we launched Credit Opportunities 2023 as a partnership to take advantage of the dislocation caused by the sharp increase in interest rates.

Team Tenure: Decisions about your custom portfolio are made by a core team that has worked together for over half a decade and brings a combined 60 years of experience in private capital. This means you can rest assured that there is alignment and longevity in our private capital program. In addition, we continue building the team, adding bandwidth and depth in operations and analysis.

Worked As Fund Manager: As one of the few advisory firms that has actually “sat in the chair” as private equity investors, we are proud to have experience building Private Capital platforms for some of the largest hedge funds and families in the world. This means we understand the qualities that make for a good general partner and private capital firm. We bring this firsthand knowledge to bear in the decisions we make for our clients.

How Can We Help?

If you're wondering how private capital could fit into your portfolio, are interested in learning more about opportunities within the intergenerational investment themes, or simply want to discuss the right portfolio allocations to protect and grow your wealth for generations, our team is here to help.

It would be our honor to discuss your unique situation and answer any questions you might have. Please don't hesitate to reach out.

Disclosures

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Past performance may not be indicative of future results. Different types of investments involve varying degrees of risk. Therefore, it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended and/or undertaken by Balentine or any non-investment related services, will be profitable, equal any historical performance level(s), be suitable for your portfolio or individual situation, or prove successful.

This is not an offer to sell, or a solicitation of an offer to purchase any fund managed by the Adviser. Such an offer will be made only by an Offering Memorandum, a copy of which is available to qualifying potential investors upon request. Qualified Investors include:

A person or family-owned company who owns at least $5 million in investments.

A person or entity who invests at least $25 million in private capital on other people's behalf or for their personal financial accounts.

An entity owned only by Qualified Purchasers.

Trusts that are sponsored or managed by multiple individual Qualified Purchasers.

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