Mesirow Financial Private Equity

April 27, 2016

Bob DeBolt
Chief Investment Officer

Tom Hynes
Senior Managing Director

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Meet Your Presenters

Bob DeBolt
Chief Investment Officer

Bob DeBolt joined the Firm in 2004. He leads the investment due diligence team, is a member of the Private Equity Investment Committee, and is involved in all aspects of the private equity investment process. Bob participates on the limited partner advisory committees for a number of buyout and venture capital partnerships. Previously, he was a principal with Adams Street Partners and an associate director with UBS Brinson Partners where he was responsible for screening, due diligence and monitoring of private equity partnership investments. Prior to joining UBS Brinson Partners in 1999, he was an investment banking analyst at Merrill Lynch & Co. Bob received a bachelor of arts degree with high honors from Princeton University and a master of business administration degree from Northwestern University's Kellogg School of Management.

Tom Hynes
Senior Managing Director

Tom Hynes is the head of Institutional Sales and Marketing department for Mesirow Financial's Investment Management department. He manages a team of sales and marketing professionals, and administrative staff, responsible for the marketing and distribution of all of Mesirow Financial's investment products to institutional investors and investment consultants. Tom also assists in the development of new investment products to add to Mesirow Financial's current suite of product offerings. Prior to his current position, Tom worked as an investment associate in Mesirow Financial's Private Equity group. Tom graduated cum laude from the University of Chicago Law School. He also earned a master of business administration degree from Northwestern University's Kellogg Graduate School of Management and a bachelor of arts degree with honors from the University of Notre Dame. Tom serves on the Finance Committee of C.U.R.E. (Citizens United for Research in Epilepsy) and as a board member of the Cristo Rey Jesuit High School.

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Mesirow Financial Private Equity Overview

Mesirow Financial Private Equity Overview

Experience

- ~$4.6 billion of private equity commitments since inception
- 99% institutional client base
- Commingled funds and customized separate account formats
- Primary partnership commitments, secondaries and co-investments

Team

- Deep and integrated team, all based in Chicago
- Investment committee averages over 25 years of investment experience
- Long-term relationships with top-tier, oversubscribed managers

Focus

- Optimize capital under management to maximize opportunity set
- Portfolio construction strategy based on selectivity and conviction
- Simple, client-centric allocation policy

Mesirow Financial is a privately-held, employee-owned, premier provider of alternative asset solutions

Economic Overview

MACRO THEMES

OUTLOOK FOR ECONOMIC LANDSCAPE	ASSET CLASS IMPLICATIONS
• We continue to believe global growth will remain low, but positive, while the U.S. is expected to grow moderately; inflation will remain low; monetary policy will remain accommodative • With that said, risks to this view are now biased to the downside, particularly as it relates to corporate fundamentals (weaker cash flows and earnings, rising leverage levels), while equity valuation multiples continue to reflect narrow risk premiums relative to history and debt capital costs have risen • Structural issues within the Chinese economy continue to weigh on global growth and the commodity complex • Geopolitics, particularly in the Middle East, are likely to continue to harass markets, with the potential for significant implications to overall volatility and the already depressed oil/energy complex	• We look for a continuation of weak profit growth in 2016 due to the combination of modest revenue growth, tightening operating margins, and a strong dollar continuing to impact international companies • The cost of capital has increased, in particular for U.S. high-yield borrowers at the lower end of the quality spectrum; a rising default rate should make lenders less willing to take on credit risk, thus driving spreads higher even for non-energy borrowers; a crucial question is whether defaults will be contained within energy and metals & mining • Certain commodities will remain weak absent a material resumption in Chinese growth • Given diverging central bank policy, we continue to see the potential for material weakness among EM currencies

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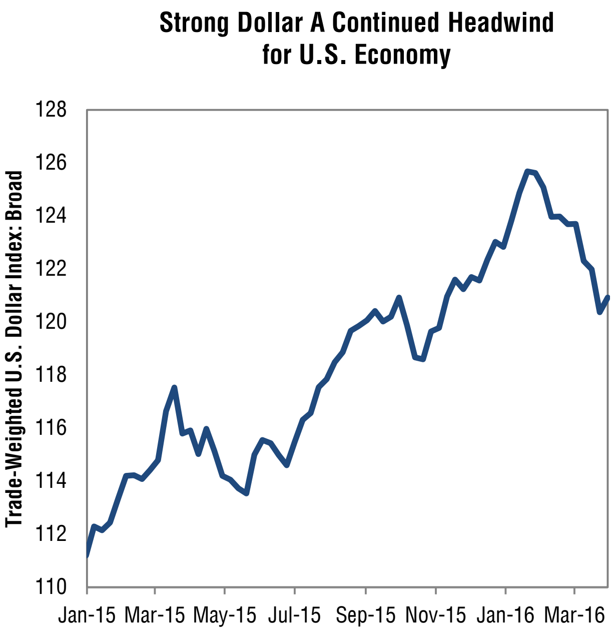
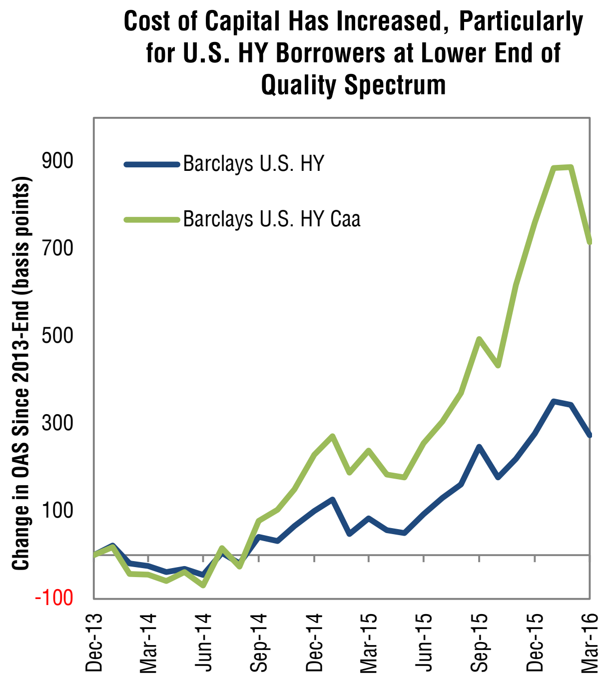
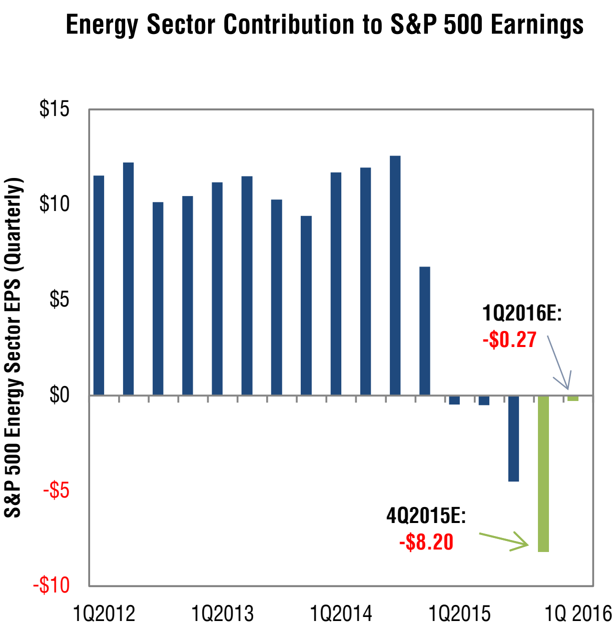
U.S.: EXPECT CONTINUED, MODERATE ECONOMIC GROWTH





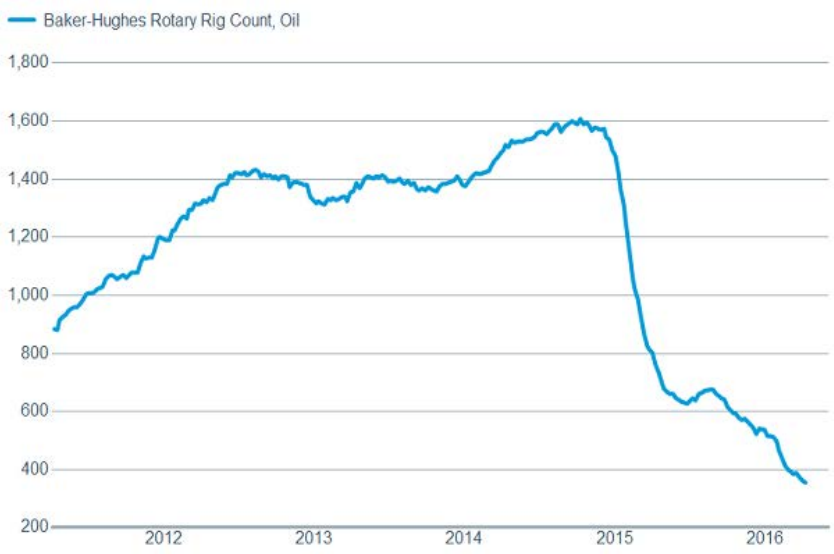


- The U.S. looks likely to grow in the 1.75%-2.75% range for 2016. Weak capital spending continues, while the strong dollar and inability of trading partners to generate domestic demand-driven growth continues to weigh on the current account.
- Debt capital costs have risen and the U.S. high-yield market is pricing in a much higher level of risk. This occurrence is often a strong indicator of a turn in the credit cycle, which equity markets usually lag behind before correcting.
- We look for a continuation of weak profit growth in 2016 due to the combination of modest revenue growth, tightening operating margins (as labor markets continue to tighten), and a strong dollar continuing to impact international companies.

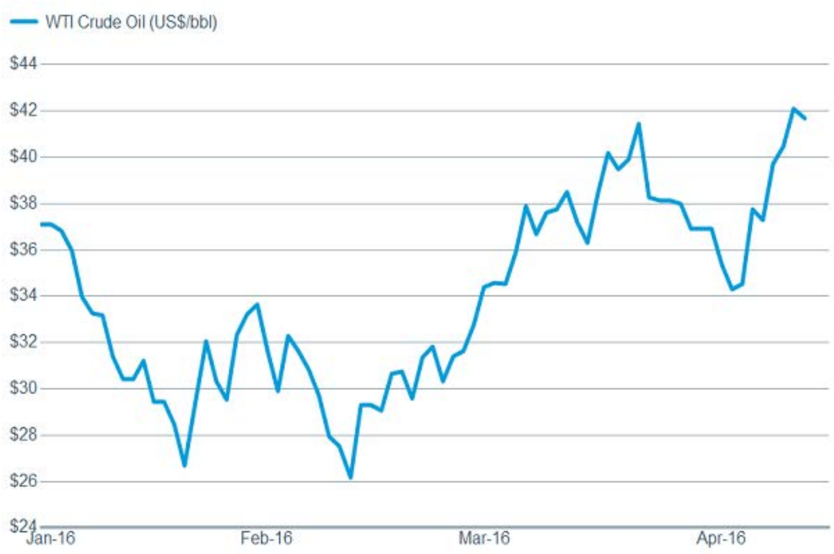
Information shown is through April 11, 2016.
Source: St. Louis Fed FRED Economic Data, Barclays, Standard & Poor's, Charles Schwab

ENERGY PRICES REBOUNDING BUT STILL SOFT

The decline in rigs likely hasn't much further to go



While the rebound in the price of oil may be getting stretched



- The weakness in the stock market in early 2016 was in large part driven by the collapse in the energy market. This resulted in the laying off of thousands of workers in energy-related fields and an idling of many oil rigs.
- On the positive side, the decline in oil rigs has brought the market closer to equilibrium, as is reflected in the recent recovery in oil prices.
- Questions remain as to how much further prices can rise, however, given the pressure on producers to keep pumping.

Information shown is through April 11, 2016.
Source: Charles Schwab
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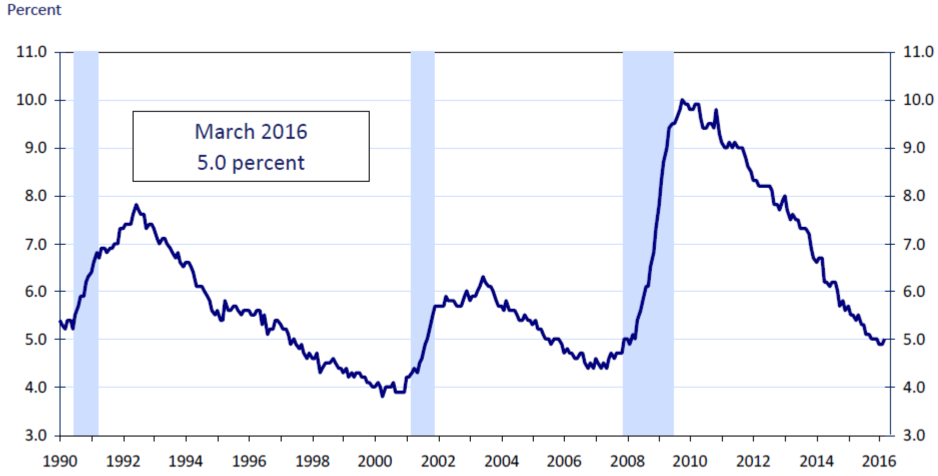
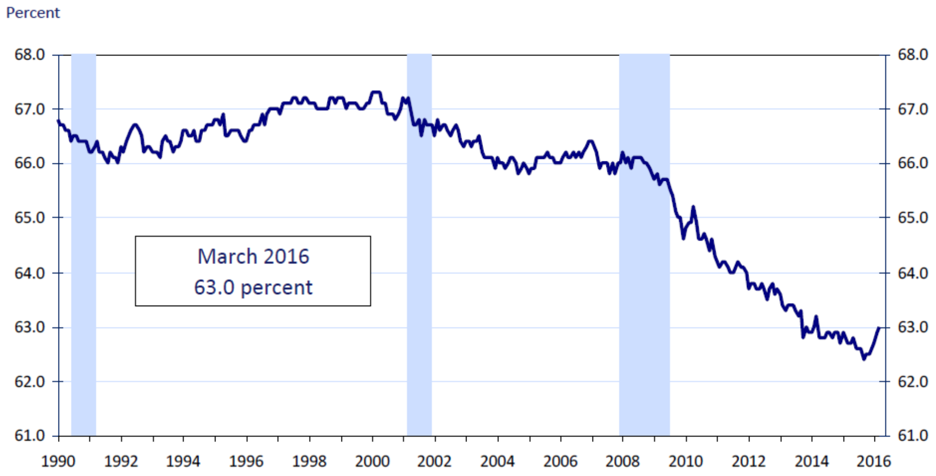
UNEMPLOYMENT IS DOWN AS IS LABOR FORCE PARTICIPATION

U.S. Civilian unemployment rate



U.S. Civilian labor force participation rate

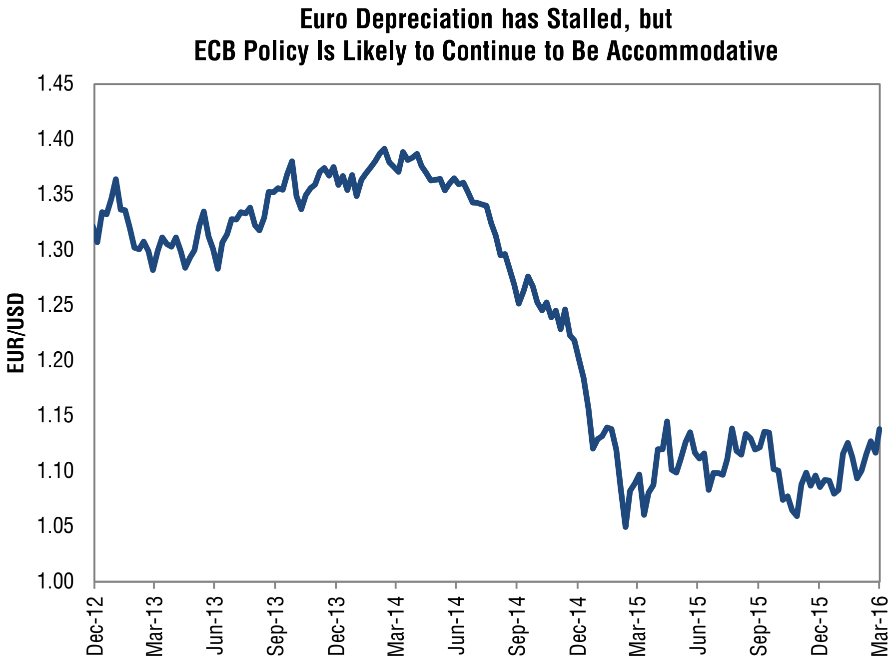


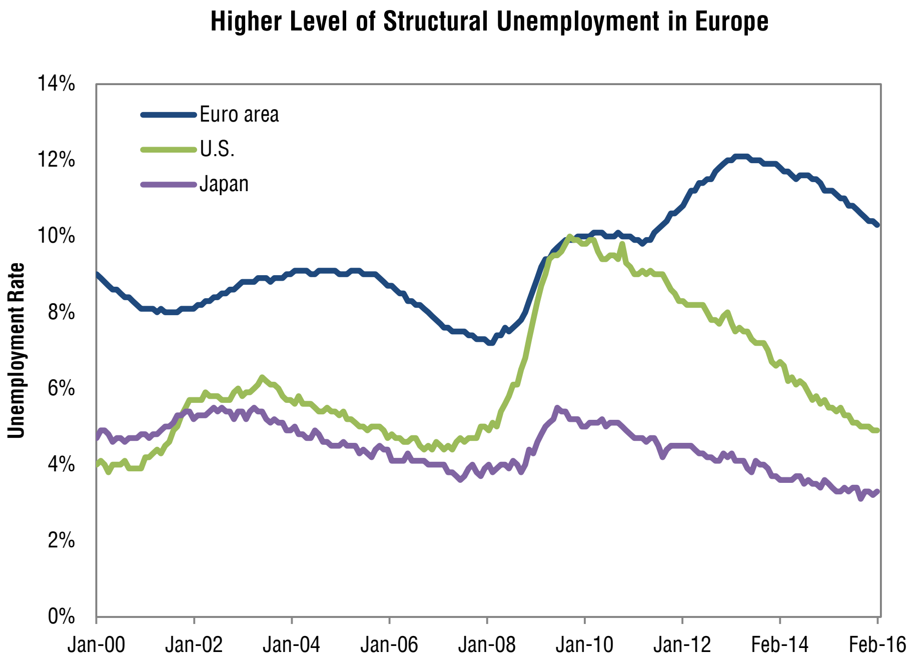
- Unemployment has fallen to an 8-year low of 5%.
- Labor force participation has declined materially but recently has started to tick up; question as to whether this trend will continue
- Tighter employment & lower energy prices should support improved consumer spending

Information is Seasonally Adjusted 1990-2016

Source: U.S. Bureau of Labor Statistics

EUROPE: EXPECT MODEST ECONOMIC GROWTH, AND MONETARY AND FISCAL POLICY TO SUPPORT RISK ASSETS





- We expect accommodative monetary policy and an increasingly expansionary fiscal policy to support risk assets and European corporates. We continue to expect modest growth in the real economy.
- The global macro environment has the potential to impact all European risk assets. Weakness in China and EM could hurt Europe more than the U.S. through lower demand, increased deflation risk, and the heightened exposure of the banking system.
- The Eurozone is facing structural growth issues given the higher level of structural unemployment, an aging population, and a less efficient political/financial system.
- Finally, Eurozone political risks are arguably increasing given a resurgence in populism, exacerbated by a refugee crisis.

Information shown is through April 11, 2016.
Source: Bloomberg, Eurostat

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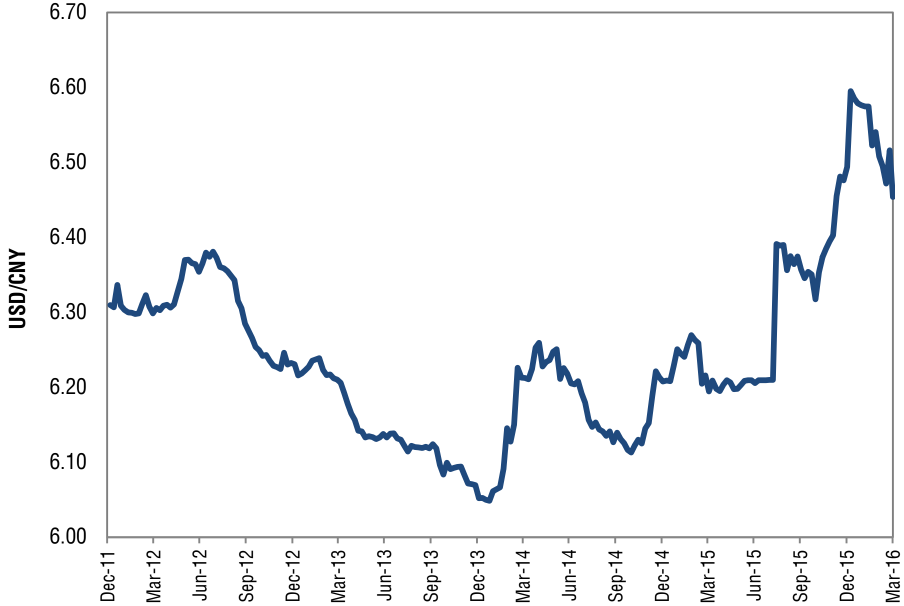
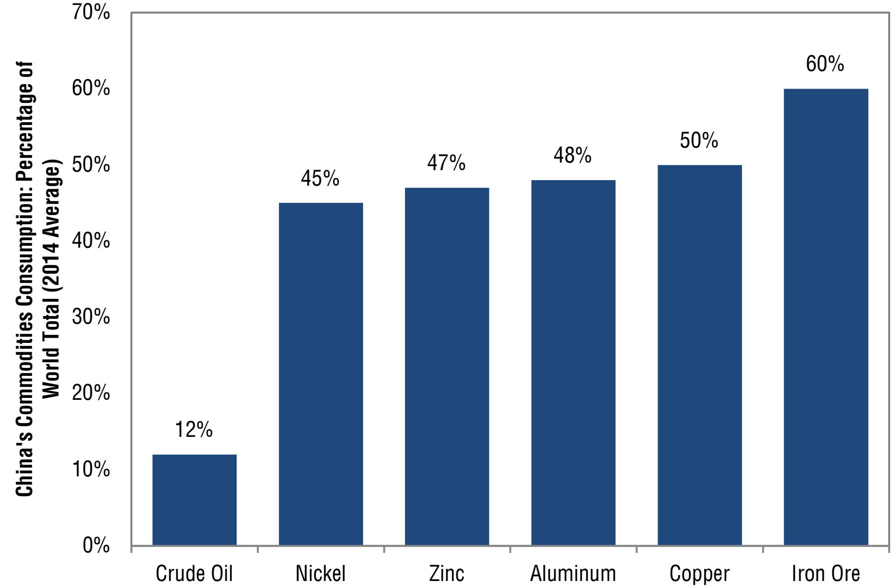
CHINA: STRUCTURAL ISSUES WITHIN CHINESE ECONOMY REMAIN UNRESOLVED

China's Policy Decisions, Such as Renminbi Depreciation, Have Been a Source of Equity Market Volatility



Certain Commodities Will Remain Weak Absent a Material Resumption in Chinese Growth



- Recent policy-intention statements suggest that stimuli in the form of bank lending and fiscal spending will be injected into the economy in a front-loaded fashion in 2016 to support growth. This should improve near-term economic conditions in both China and Asia broadly, and comes on top of the PBOC intervening to offset outflows and keep the renminbi stable.
- Uncertainty in China will likely continue as key structural issues remain unresolved. Periodic bouts of volatility should be expected, arising from uncertainty around China's currency policy, currency outflows, banking system NPLs and housing market conditions.
- Equity markets are likely to be supported by monetary policy over the medium term, as past rate cuts are realized in the economy and with the PBOC appearing committed to maintaining an easing bias. At the same time, policy decisions have also been a source of equity market volatility, and we expect this trend to continue.

Source: Bloomberg, J.P. Morgan Asset Management

Introduction to Private Equity

Private Equity Overview

- Privately-negotiated investments in unlisted operating companies, typically accessed through a commitment to a limited partnership with a term of at least ten years
- The largest public pension funds allocate approximately 9% of assets to private equity
- Companies financed by private equity investors range in size from very small early-stage startups to established market leading companies
- A typical private equity fund will build a portfolio of 10-20+ company investments over a 3-4 year investment period and then work closely with company management to build value over a long-term holding period of at least 3-5 years

Private Equity

Venture Capital and Growth Equity

Financing for startup and emerging growth companies, typically in the IT and healthcare sectors

Buyout

Control investments in established companies, often with the use of leverage and the intention of improving operations

Special Situations

Subordinated / mezzanine debt, distressed debt, operational turnaround and industry-focused investments

Source: Mesirow Financial Private Equity Advisors, Inc. The above referenced general partner relationships represent partnership investments made by MFPEA since April 2013, were not selected based on specific performance criteria and are for illustrative purposes only. We do not represent that any entity represented by the logos shown specifically approves or disapproves of our investment activities.

Sample of investments within the MFPE fund of fund portfolio

Buyout Funds

lululemon athletica

planet fitness

BJ's

SHAKE SHACK

COYOTE

PETSMART

popchips

King

Portillo's
BEEF • BURGERS • SALADS

GLACÉAU vitaminwater

Venture Capital / Growth Equity

UBER

grubHub.com
eating made easy

dropcam

TRUNK CLUB

twitter

Spotify

Etsy

box

This listing of prior investments and representative general partner relationships was not selected based on specific performance criteria and is for illustrative purposes only. We do not represent that any entity represented by the logos shown specifically approves or disapproves of our investment activities.

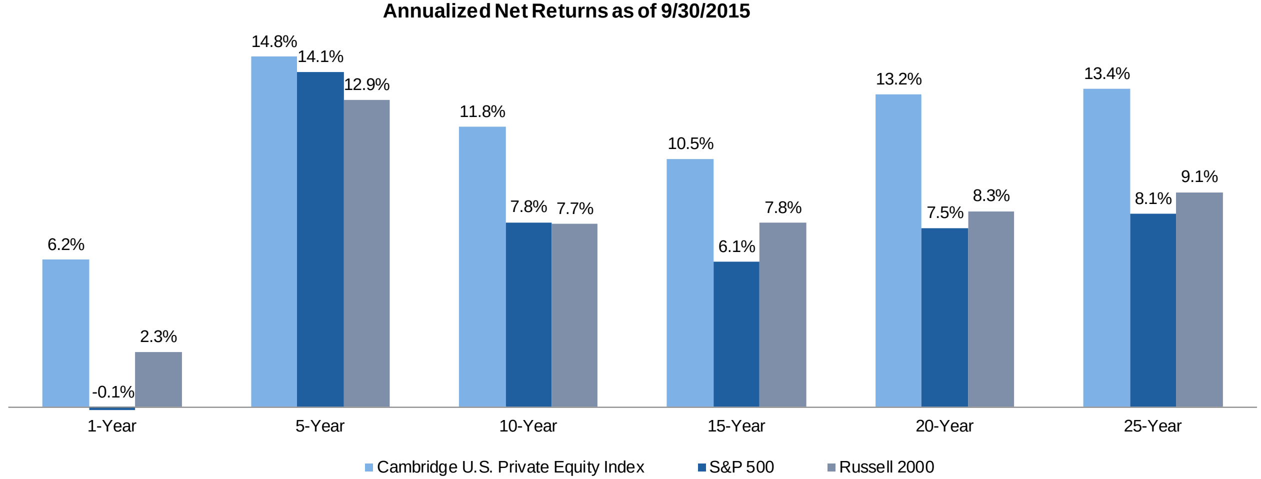
Benefits of Investing in Private Equity

- Potential for returns well in excess of public equity markets
  - Various academic studies suggest historical 300-400 basis point premium over public equities
- Portfolio diversification: Moderate correlation to public equities
  - Offers exposure to companies across a wide range of stages, industries and geographies

Investor considerations

- Private equity is an illiquid asset class and realized returns are achieved over a long time horizon
- Private equity investments carry elevated risks (small company risk, technology, growth execution, leverage, etc.)
- Complexity of building and maintaining an appropriately diversified portfolio

Private Equity has clearly outperformed public market equivalents

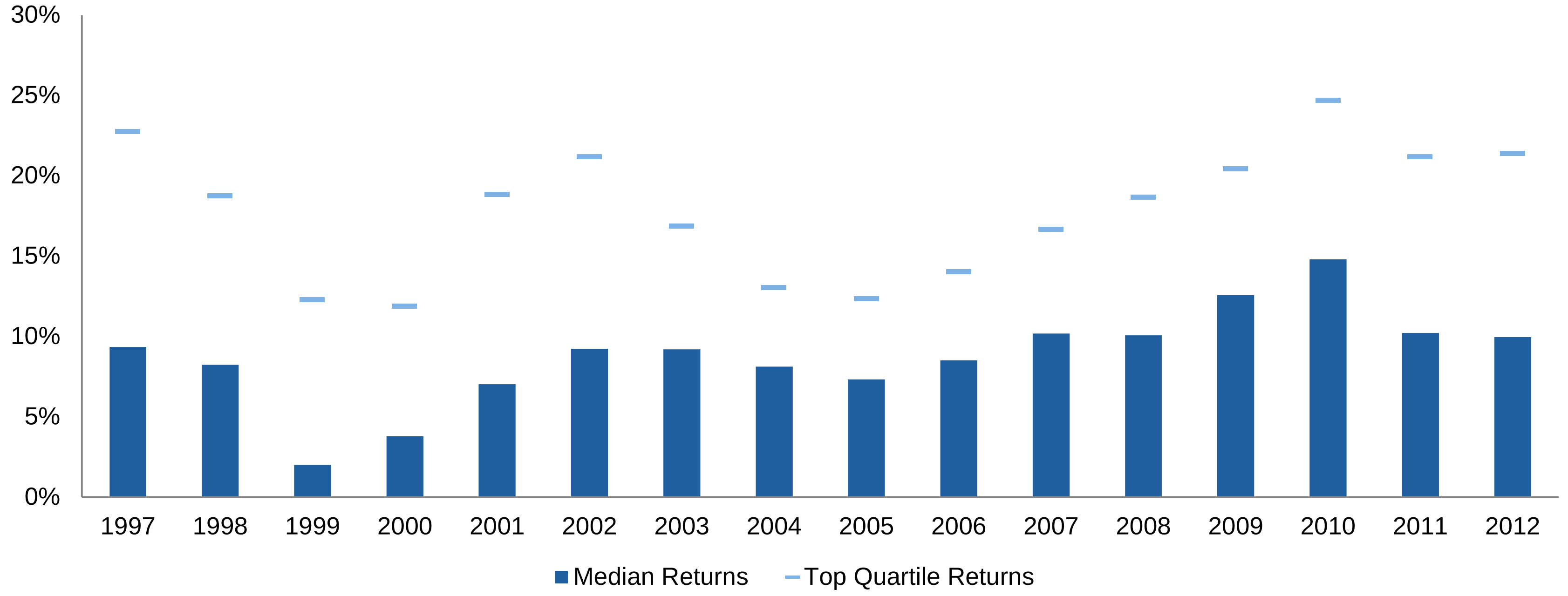


Source: Cambridge Associates U.S. Private Equity End-to-End Pooled Return Compared to CA Modified Public Market Equivalent (mPME) as of September 30, 2015. Past performance is not indicative of future results.

Manager Selection is a Key Determinant of Portfolio Performance

- Access to top-tier managers is the key driver to leading private equity portfolio performance
- Top-quartile private equity funds have outperformed median returns by an average 900+ basis point spread
  - Top-performing managers have demonstrated persistence in outperforming benchmarks across funds
- Limited supply of highly experienced managers and overwhelming demand from institutional investors
  - Even in a difficult fundraising environment, top-tier managers are severely oversubscribed

Spread Between Top-Quartile and Median Returns



Source: Cambridge Associates' cumulative vintage year median and top-quartile performance IRRs as of 9/30/2015. Past performance is not indicative of future results.

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Manager Selection

- **Stable Organization**
  - Cohesive, high-quality management team
  - Low staff turnover
  - Deep domain expertise
  - Institutionalized investment process

- **Effective Strategy**
  - Consistent, focused
  - Proactive sourcing
  - Active ownership model
  - Thoughtful portfolio construction
  - Appropriate fund size

- **Outstanding Performance**
  - Long-term realized track record
  - Risk-adjusted returns that outperform peer group
  - Low loss rates and appropriate risk-taking

- **Alignment with LPs**
  - Package of terms and conditions that align GP/LP interests
  - History of protecting investor interests
  - Transparency

Past performance is not indicative of future results. Nothing contained herein guarantees outperformance of peer group nor low loss rates. Please see disclosure at the end of this presentation for additional information.

Venture Capital Case Study

Lightspeed Venture Partners IX Leads $485,000 Seed Round for Snapchat

LIGHTSPEED VENTURE PARTNERS

- Raised $675 million early-stage VC fund in 2012
- Focused on enterprise and consumer technology
- Firm has backed 250+ companies over 20+ years
- Leading performance driven by signature investments such as Fusion IO, GrubHub, The Honest Company, Nimble, Nutanix and RiverBed
- Based primarily in Menlo Park, CA

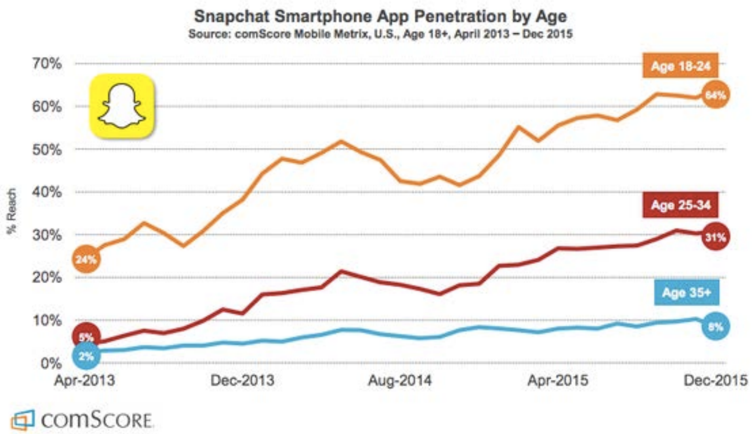
Initial VC financing from Lightspeed in May 2012

- Snapchat is the fastest way to share a moment with friends. The mobile app allows users to share photos and videos with friends and control how long they can view their message, making it easier to share without worrying if it is perfect or Facebook-worthy
- Based in Venice, CA

Explosive growth in Snapchat valuation…

Round	Date	Select Investors	Valuation*
Seed	May 2012	Lightspeed (early-stage VC firm)	N/A
Series A	Feb 2013	Benchmark (early-stage VC firm)	$70 million
Series B	Jun 2013	IVP (late-stage VC firm)	$800 million
Series C	Dec 2013	Coatue (hedge fund)	$2 billion
Series D	Aug 2014	KPCB (multi-stage VC firm)	$10 billion
Series E	May 2015	Alibaba (strategic)	$16 billion
Series F	Mar 2016	Fidelity (mutual fund)	$16 billion
IPO?	TBD	Public equity investors	TBD

…as Millennial user growth poses growing threat to FB



*Source: Public news reports from WSJ, NYT, TechCrunch, Forbes and Fortune.
The above referenced co-investment has been included to illustrate the investment process utilized by MFPEA. The inclusion is not designed to convey a past specific investment by MFPEA which would have been profitable to any person. It should not be assumed that investments made in the future will be profitable or will equal the performance of those described above. Past performance is not indicative of future results. Please see disclosure at the end of this presentation for additional information.

Buyout Case Study

Growth Buyout of Planet Fitness by TSG Consumer

TSG CONSUMER PARTNERS

planet fitness

- Raised oversubscribed $1.3 billion TSG6 in 2012 and $2.5B TSG7 in 2015
- Buyouts and growth equity for branded consumer companies, primarily in the U.S.
- Deep experience and networks in food, beverage, personal care, beauty, household care
- Top-quartile investment performance with low loss rates since 1986

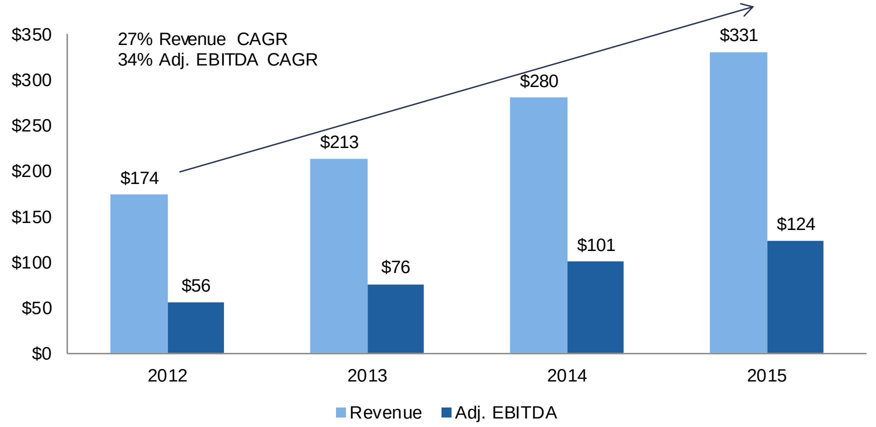
TSG leads $500M leveraged buyout in Dec 2012

- The #1 franchisor of high-value, low-cost membership fitness clubs in the U.S., providing a unique gym experience that allows people at all fitness levels to pursue an active, healthy lifestyle
- Grown to over 1,100 units from 606 in 2012
- Based in Newington, NH

TSG leads operating enhancements and capital restructuring…

- Key initiatives included strengthening management team, operational improvements to enhance franchise economics, selective acquisitions of franchise clubs, implementation of a new POS system and expansion into Canada
- Moderate leverage of 3.2x EBITDA at closing and strong recurring cash flows enabled rapid return of capital through dividend recaps
- Company priced an IPO in August 2015 (ticker: PLNT)

…driving outstanding financial performance



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Special Situations Case Study

Turnaround Buyout of North American Breweries by KPS

KPS Capital Partners, LP

- Raised oversubscribed $2 billion Fund III in 2009 and $3.5 billion Fund IV in 2013
- Control acquisitions of underperforming manufacturing and industrial companies, often complex carve-outs or bankruptcy situations
- Stable team and outstanding track record of "hard core" turnarounds in partnership with labor
- Based in New York and Frankfurt

KPS initial investment in Feb 2009

North American Breweries

- Created through the combination of four underperforming U.S. brewers. Based in Rochester, NY

KPS implemented an operational turnaround plan…

- Radically transformed and integrated four separate businesses
- Retained new CEO and sales team from InBev
- Invested to upgrade and modernize facilities, replaced IT systems, insourced freight and logistics functions, eliminated outsourced co-packing, improved working capital and supply chain management
- Invested in higher margin categories and launched 40 new products over three years

…to energize the company and drive investor returns

- Created one of the largest and fastest growing beer companies in the U.S.
- Operational enhancements drove strong organic revenue and EBITDA growth
- Sold to Florida Ice & Farm in 2012 for $388 million after a 3.5 year holding period
- 9x return on equity

Private Equity Market Overview

Our Observations: Recent Trends in Private Equity

Private Equity Fundraising

- Strong distributions spurred 2015 private equity fundraising to roughly match 2014, but with notably fewer managers reaching a final close
- Best performing funds are efficiently hitting caps and compressing fundraising cycles
- High level of investor interest is shifting terms slightly more in favor of top-performing GPs

U.S. Buyout Activity

- Despite mega-sized corporate acquisition activity, 2015 buyout firm deal volume was muted in the face of record high purchase price multiples
- Turbulent leveraged loan and high yield markets have seen spreads increase and have challenged some buyout deals to secure financing
- IPO window for buyout-backed businesses has been choppy, but corporate buyers have filled the gap to nearly meet the record setting 2014 exit volume

U.S. Venture Capital

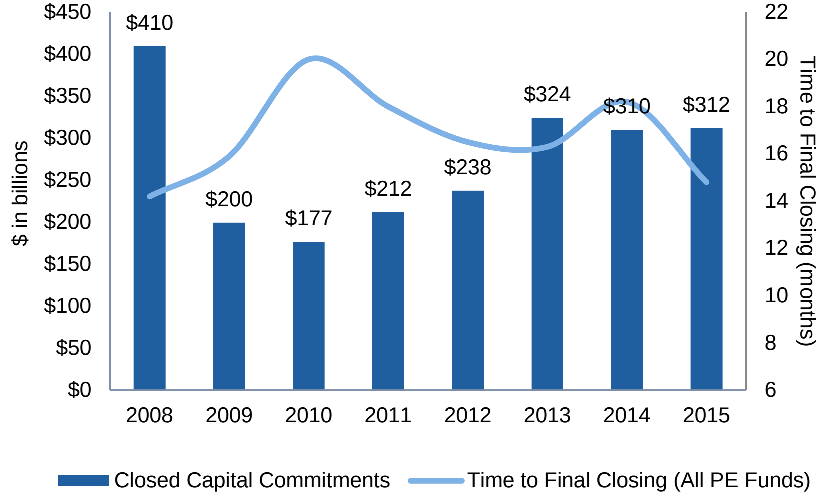
- Most VC managers are adopting a more cautious outlook following Q1-2016 market volatility
- Tech IPO window completely closed, potentially pressuring valuations for new late-stage rounds
- A deep pool of disruptive businesses at more rational valuations could bode well for the 2016 vintage, however the VC sector may be oversupplied by LPs

Non-U.S. Private Equity

- Virtually every large pan-European buyout sponsor is raising new capital in 2015-2016
- Volatile market conditions in Europe, compounded by a refugee crisis and Britain's possible EU exit, have prompted a sharp reduction in new buyout deal volume following a robust 2015
- Commitments to emerging markets private equity managers declined by 17% in 2015, reflecting worries about slowing growth in China

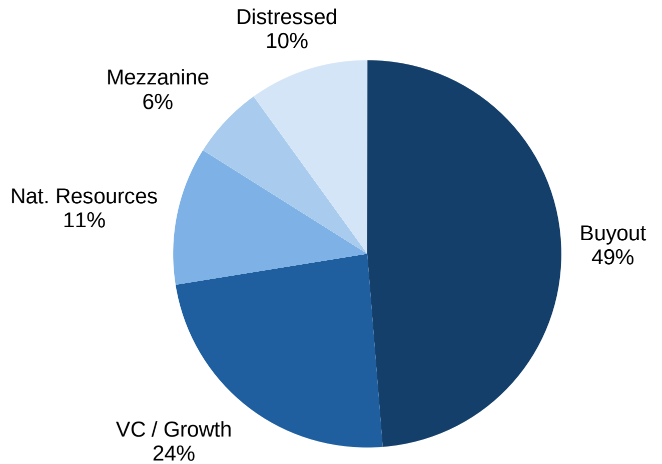
Crowded Pipeline of Funds Competing for Limited Partner Capital

Global Private Equity Fundraising by Year



Source: Closed Capital Commitments per 2016 Preqin Global Private Equity & Venture Capital Report. Figures represent capital commitments for Buyout, Venture Capital / Growth Equity, Natural Resources, Mezzanine and Distressed Funds. Time to Final Closing (All PE Funds) per PitchBook 2015 Annual Private Equity & Venture Capital Fundraising & Capital Overhang Report.

2015 Capital Commitments by Fund Type



Source: 2016 Preqin Global Private Equity & Venture Capital Report. Figures represent capital commitments for Buyout, Venture Capital / Growth Equity, Natural Resources, Mezzanine and Distressed Funds.

- Record number of funds (1,630) in market seeking $483 billion
- LPs generally consolidating commitments with fewer managers
  - 24% fewer funds reached a final close 2015 relative to 2014
- Average fund sizes are growing and outperforming managers' funds are quickly oversubscribed
  - Demand for private equity stoked by strong recent performance and near record levels of distributions

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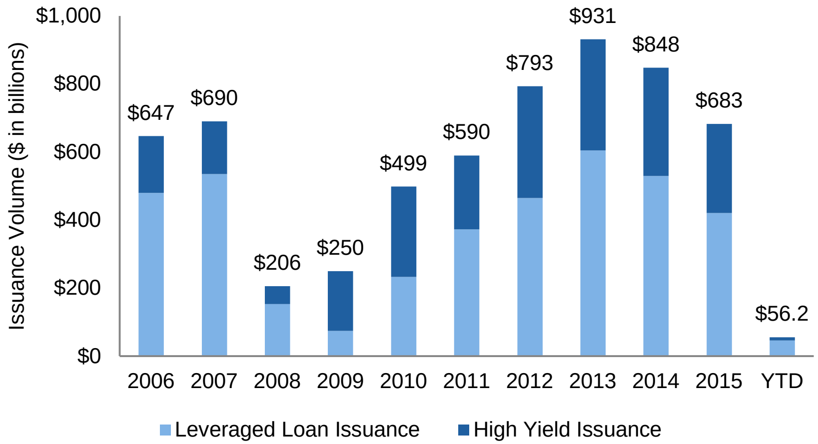
Buyout Market Update

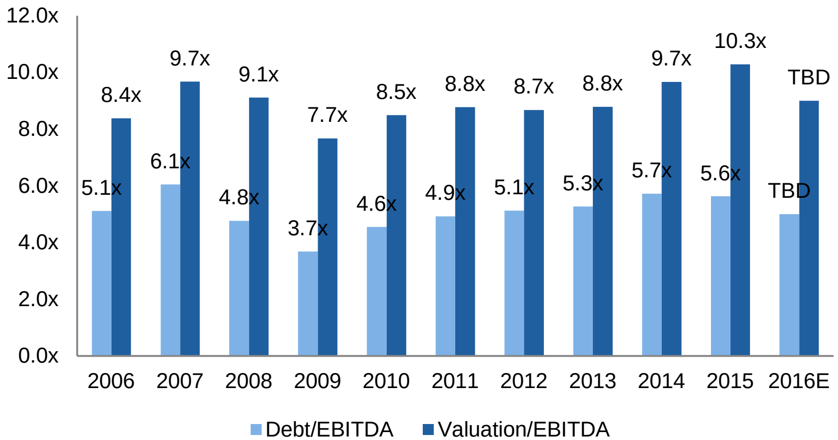
- Equity market volatility and falling oil prices have impacted leveraged finance markets, leading to less favorable credit terms and limited demand to finance larger buyout transactions
- Buyout purchase price and leverage multiples are expected to moderate from 2015 peaks, despite continued competition from strategic buyers
- Current difficulties in financing markets may reverse the steady 6-year recovery of buyout deal volumes

Leveraged Finance Markets Stalled in 2016



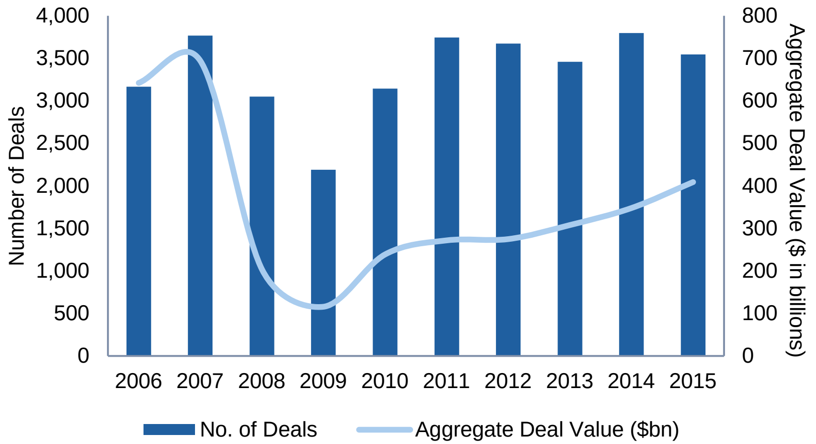
Source: UBS US Leveraged Capital Markets Weekly Update For the Week Ended 2/12/2016.

Buyout Purchase Price and Leverage Multiples



Source: S&P Capital IQ M&A Stats as of January 2016.
2016E based on Mesirow Financial Private Equity estimate.

Steady Increase in Volume Through 2015



Source: Preqin 2015 Private Equity-Backed Buyout Deals and Exits Report.

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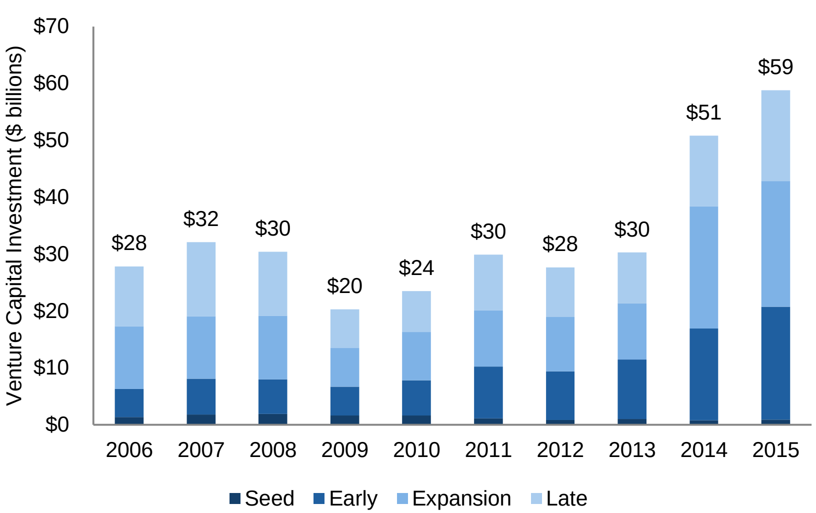
Venture Capital Market Update

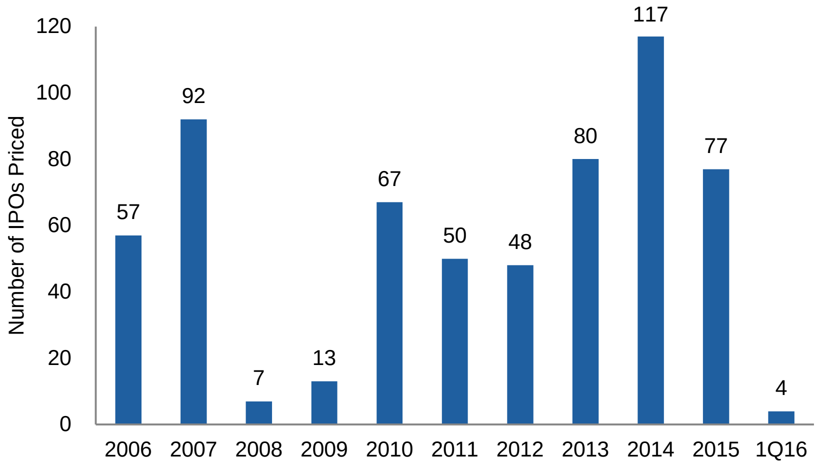
- A sentiment shift towards caution is expected to slow VC investment pace in 2016
  - VC managers are generally encouraging portfolio companies to moderate spending and potentially forestall financing plans
- Tech IPO market slowed in 2015 and closed completely in 2016. M&A exits remain viable, however sellers will likely face valuation pressure
  - Closure of the IPO window creates an uncertain future for some of the 140+ venture-backed “unicorns” valued at over $1 billion by private investors
- Early stage VC valuations showing signs of softening beginning in 4Q-2015, though the vast majority of recent new financings were still flat or up-rounds
  - Sell-off in the publicly-traded tech sector will eventually be reflected in private market valuations
- Top-tier VC funds remain in high demand from limited partners following an industry net IRR of 18% over the past five years(1)

Venture Capital Investment by Stage



Source: PricewaterhouseCoopers/National Venture Capital Association MoneyTree Report as of Q4-2015 and Thomson Reuters.

U.S. VC-Backed IPOs on Hold in 2016



Source: National Venture Capital Association and Thomson Reuters as of January 2016.

(1) Source: Cambridge Associates as of 9/30/2015.
Past performance is not indicative of future results.

Summary

- Private equity remains an attractive source of excess returns for institutional investors
- A select few top-tier managers will continue to drive performance for the asset class
- Near term distributions from mature private equity portfolios may slow given capital market challenges
- The 2016 macroeconomic backdrop remains attractive for long term private equity returns, particularly if we see a reset in seller price expectations
- Thank you for your support!

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