CONSTITUTION
Capital Partners

Private Equity

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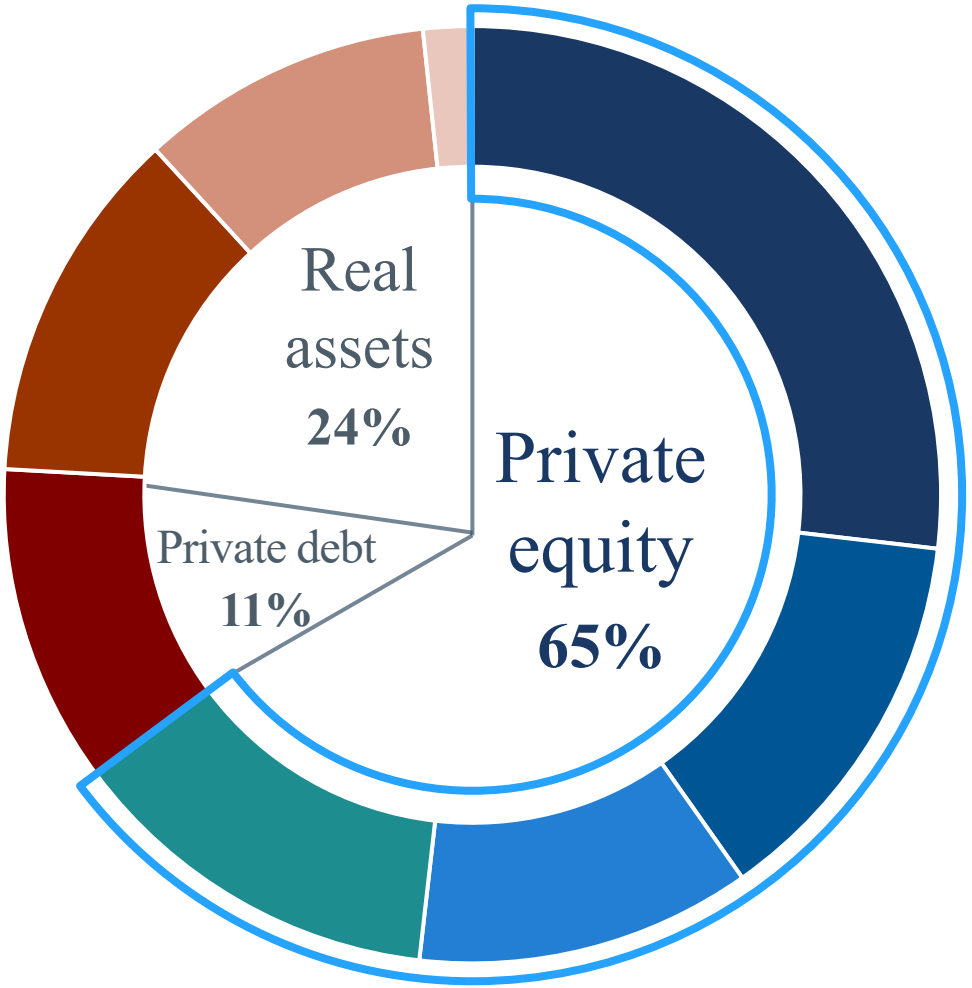
Managing Partner

What are Private Markets?

- Traditionally investments in the equity and debt of companies and assets that are not listed on public exchanges
- Requires longer-term investment, usually through a limited partnership
- Approximately two-thirds of all Private Markets assets under management (AUM) is in Private Equity (buyout, venture, growth equity and other)

Introduction to Private Markets and Private Equity

Private Markets AUM



■	27%	**$4.5T**	Buyout
■	13%	**$2.2T**	Venture capital
■	12%	**$1.9T**	Growth equity
■	13%	**$2.2T**	Other private equity
■	11%	**$1.8T**	Private debt
■	12%	**$2.0T**	Real estate
■	10%	**$1.7T**	Infrastructure
■	2%	**$0.3T**	Natural Resources

Please see footnote 1 on page 21

Sub-Classes of Private Equity

Investments in Non-Public Companies

Angel Investing

Minority stakes in nascent companies, often in the idea phase. Potential to establish operations and market share.

Venture Capital

Minority stakes in young, unprofitable companies. Potential for rapid growth and high returns with higher risk and volatility.

Growth Equity

Minority stakes in established companies requiring capital for expansion; may or may not be generating a profit.

Buyouts

Majority stakes in mature, profitable companies. Potential to grow organically and through acquisitions, and improve free cash flow.

Sub-Classes of Private Equity

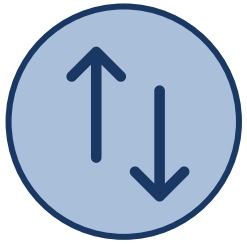
	Angel Investing	Venture Capital	Growth Equity	Buyouts
Ownership	Minority	Minority	Minority / Majority	Majority
Phase	Idea	Infancy	Growth	Mature Growth
Financials	Pre-Revenue	Revenue with Losses	Varies	Scaled and Profitable
Capital Use	Concept Launch	Grow Market Share	Accelerate Expansion	Drive Value Creation
Risk / Return	Binary Risk	High Risk with High Potential Return	Risk with Structured Downside	Strong Risk-Adjusted Returns

Why Invest in Private Equity?

Potential long-term historical outperformance over public markets



Returns historically have lower correlation with public markets



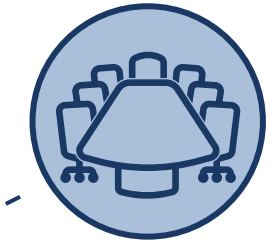
Diversification improves risk and volatility characteristics



Exposure to non-public companies



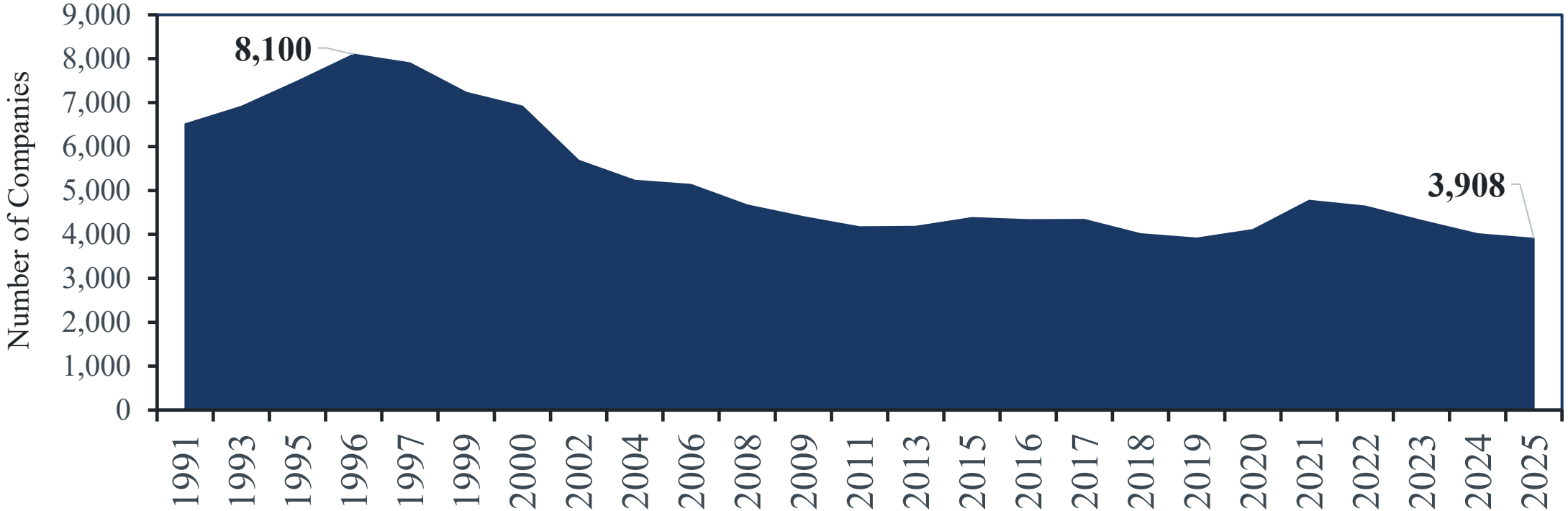
Partnership with management



Trends Driving Interest

Companies staying private longer yielding opportunities to invest in high growth businesses in the private markets

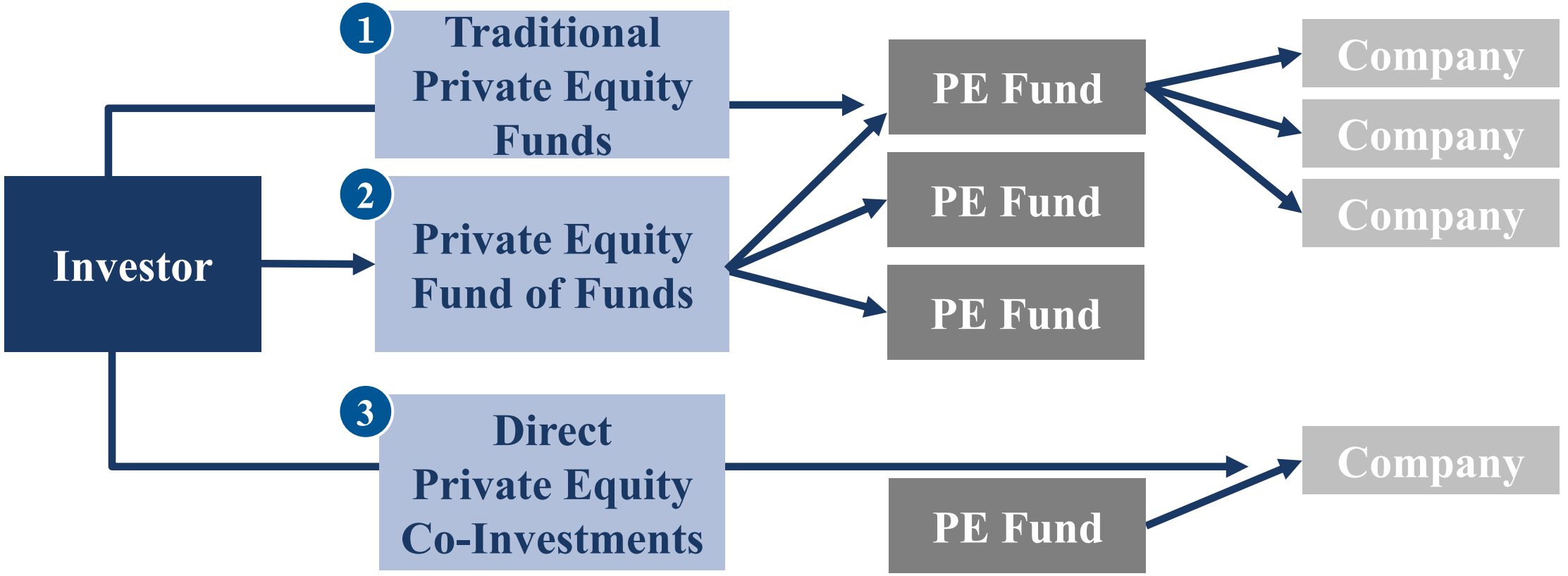
Steady Decline of Companies Listed in the U.S. (1991-2025)



Please see footnote 2 on page 21

Ways to Invest

There are three primary ways to access private equity, including (i) traditional private equity funds, (ii) fund of funds managers, and (iii) co-investments



Note: For illustrative purposes only

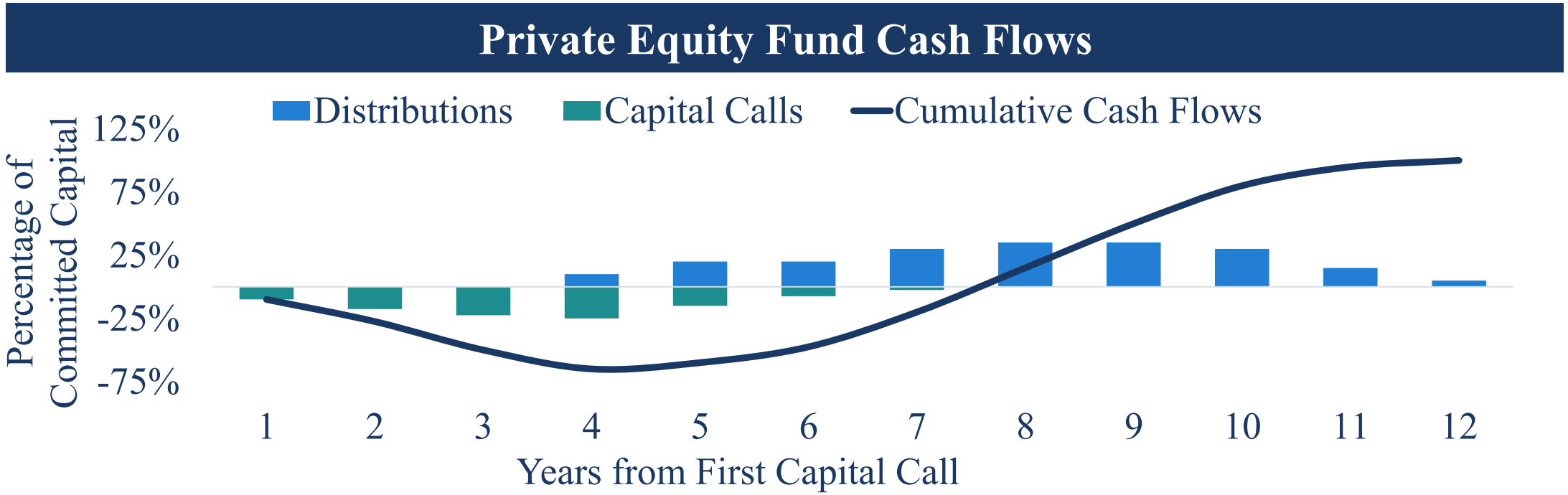
Key Attributes

		1 Traditional Private Equity Fund	2 Private Equity Co-Investment Fund	3 Private Equity Fund of Funds
Key Value-Add		Company Sourcing and Selection	Company and Manager Selection	Manager Sourcing and Selection
Diversification	***# of Deals***	**10** companies	**30+** companies	**120+** companies
	Private Equity Managers	**1** manager	**10+** managers	**15+** managers
	Sectors	Limited to **1 or 2**	**3 to 5** each within manager's core sectors	**3 to 5** each within manager's core sectors
Capital Deployment *(J-Curve)*		**Medium**	**Shorter**	**Longer**

Note: For illustrative purposes only

What is the J-curve?

The J-Curve represents the tendency of private equity funds to post negative cash flows in the initial years, followed by positive cash flows in later years as underlying investments appreciate and generate realizations



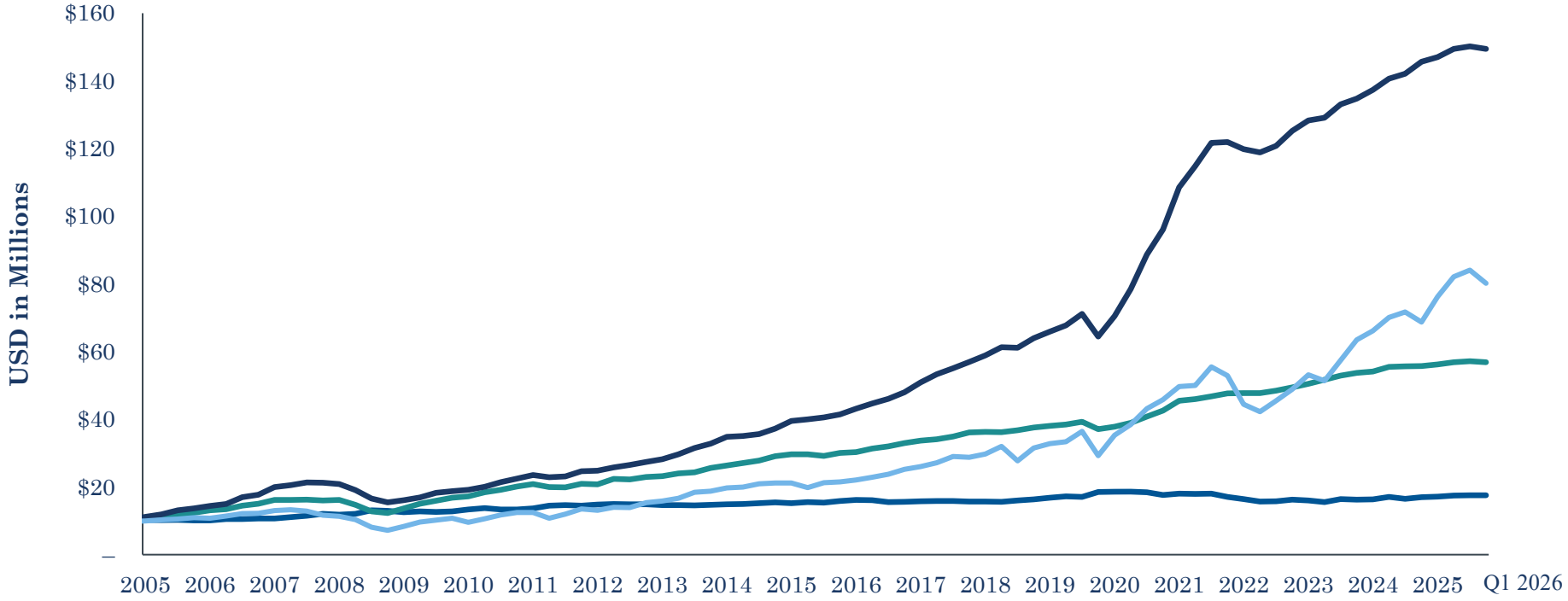
Note: For illustrative purposes only. Actual fund cash flows may deviate materially from those presented herein

Private Equity in Portfolio Construction

Long-Term Returns

Private Equity has outperformed the S&P 500 with lower risk

Growth of $10 Million (2005- Q1 2026)



13.6% Return
8.8% Risk

10.3% Return
15.7% Risk

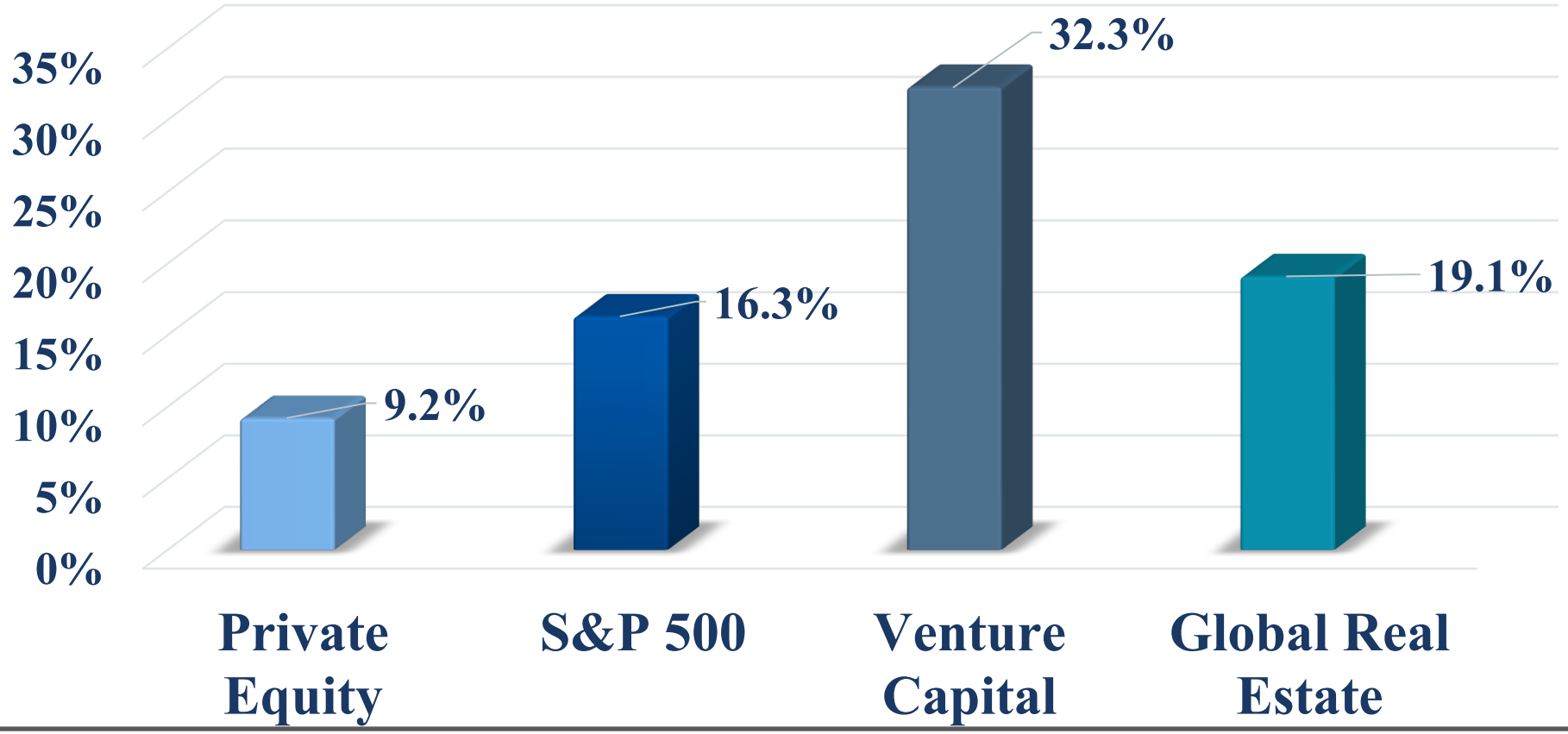
8.5% Return
7.1% Risk

2.7% Return
5.2% Risk

Please see footnote 3 on page 21

Historical Volatility

Private Equity has exhibited less volatility relative to other asset classes



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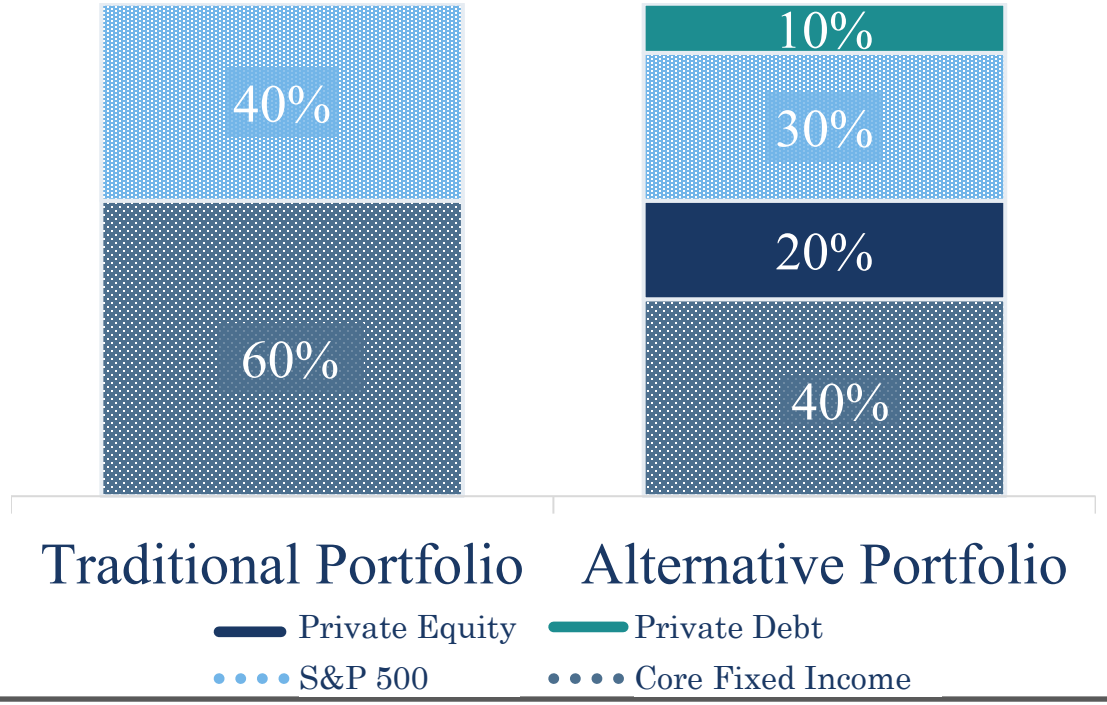
Portfolio Impact

Historically, portfolios with private alternatives have delivered stronger absolute and risk-adjusted performance

Target Allocations (2005 – Q1 2026)



Performance Statistics (2005 – Q1 2026)

	IRR	Risk	Return / Risk
Traditional Portfolio	7.6%	9.0%	0.84
Alternative Portfolio	8.8%	7.7%	1.14
Delta	*+1.2%*	*-1.3%*	*+0.3*

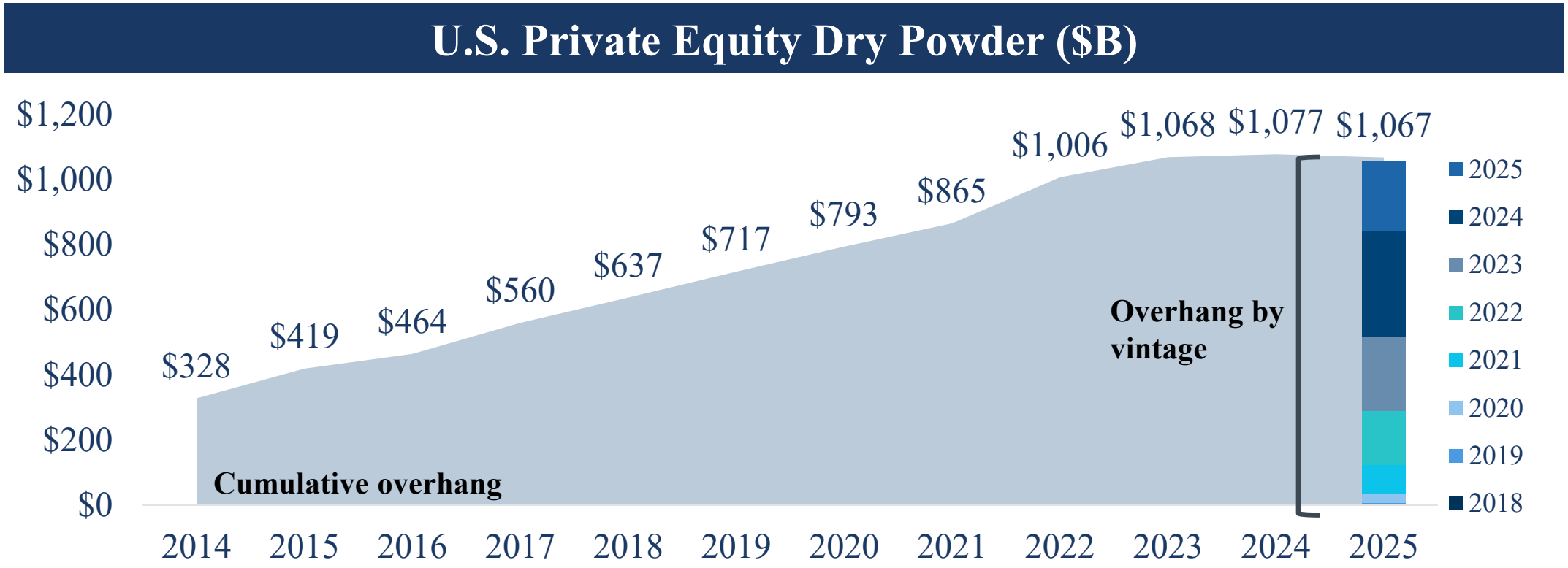
Please see footnote 5 on page 21

Private Equity Landscape

Market Conditions

Private Equity firms hold ample dry powder that is ready to be deployed

- *Dry powder refers to the amount of committed, but unallocated capital a firm has on hand*

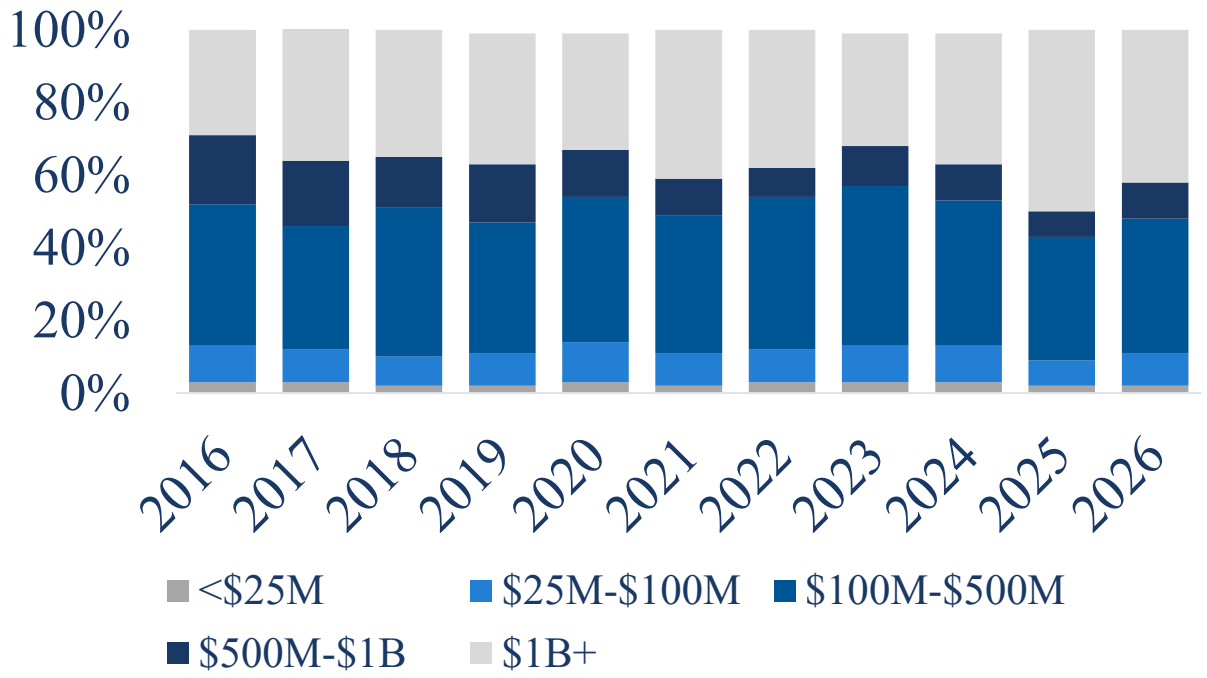


Please see footnote 6 on page 21

Middle Market Opportunity

Within the US, the middle market represents the deepest and most consistent source of private equity deal activity across economic cycles

U.S. Middle Market Share of Investments ($)



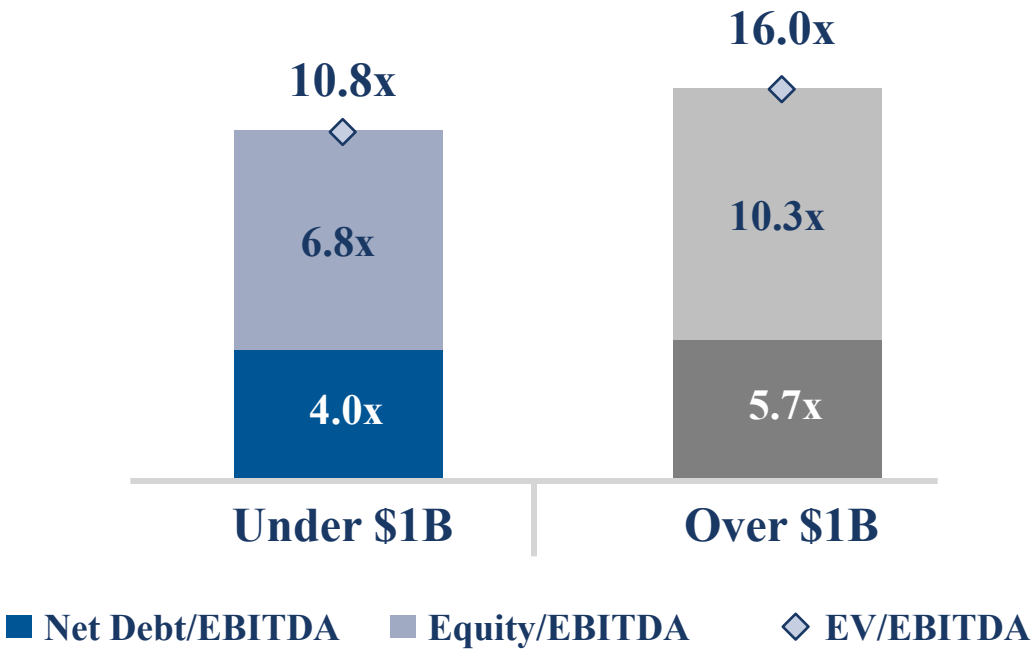
- Middle market businesses are more responsive to operational improvements given their smaller scale and less professionalized management teams, allowing for more meaningful value creation

Please see footnote 7 on page 21

Middle Market Opportunity

Middle market transactions are executed at lower entry multiples with more conservative leverage

U.S. Buyout Purchase Multiples by Deal Size



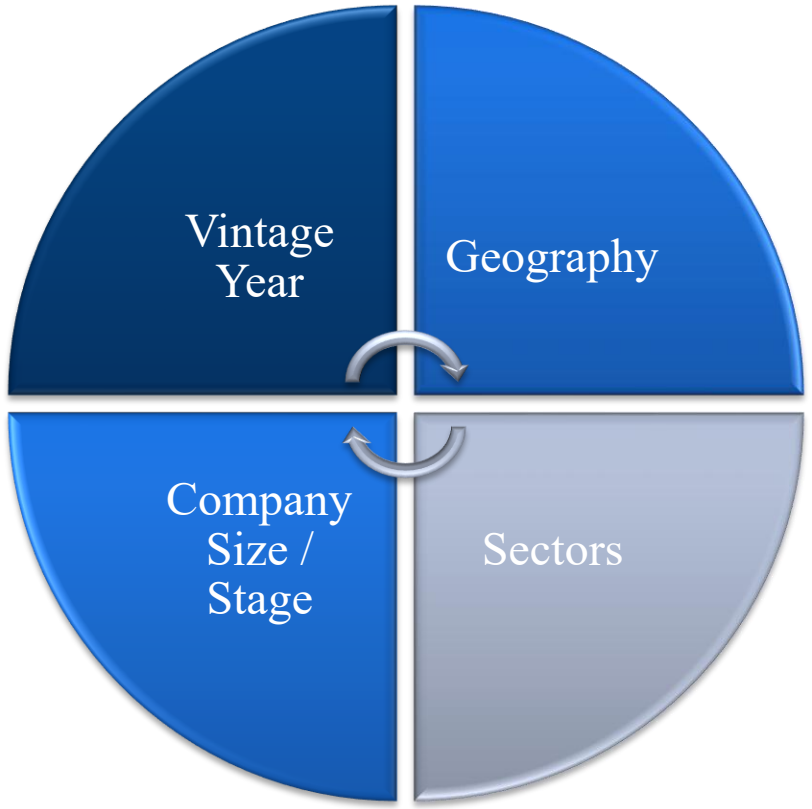
- Lower entry valuations and more conservative leverage profiles in the middle market widen the margin for error and make operational improvement the primary driver of returns

Please see footnote 8 on page 21

Takeaways

- Pension funds are increasing their investments in private asset alternatives
- Historically, have provided higher returns to pension funds with lower volatility
- There are a broad range of options
- Manager selection and alignment of interests are important because investments are illiquid and can have higher fees

Diversification is Key



Footnotes

1) Preqin assets under management by strategy as of December 31, 2025. Figures may not sum to 100% due to rounding.
2) Listed Domestic Companies, Total (United States), Center for Research in Security Prices & World Bank Group (DataBank).
3) Return calculated as compound annualized return over the full period using quarterly return data. Risk calculated as annualized standard deviation of quarterly returns. Quarterly return data represented by PitchBook Private Capital Indexes Summary Report as of March 31, 2026. Private Equity returns and risk represented by buyout transaction data.
4) Data represented by Q1 2026 PitchBook Private Capital Indexes Report. Private Equity returns and risk represented by buyout transaction data.
5) The allocation for the Alternative Portfolio is represented by a 40% allocation to S&P 500, 30% allocation to Core Fixed Income, 10% allocation to Private Debt, and 20% allocation to Private Equity. Quarterly return data represented by PitchBook Private Capital Indexes Summary Report as of March 31, 2026. Return calculated as compound annualized return. Risk calculated as annualized standard deviation of quarterly returns. Private Equity returns represented by buyout transaction data.
6) Information as of March 31, 2026, per PitchBook Q1 2026 US PE Breakdown.
7) Information as of June 30, 2026, per PitchBook Q2 2026 US PE Breakdown Report. PitchBook defines middle market as buyout transactions between $25 million and $1 billion.
8) As presented in PitchBook Q2 2026 US PE Breakdown. Represents median EV/EBITDA and median net debt/EBITDA for U.S. buyout transactions completed in 2025, segmented by transaction enterprise value; median EV/EBITDA across all U.S. buyout transactions was 12.5x. Equity/EBITDA represents EV/EBITDA less net debt/EBITDA. Enterprise value segmentation reflects the source data.