PPB | CAPITAL PARTNERS

The Bridge to Alternative Investments

Reflections:

Serving the Wealth Advisor Community in All Kinds of Weather

August 2022

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Founder and CEO

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PPB Capital Partners, LLC

Launched in July 2008, **PPB Capital Partners** brings premier alternative investment solutions and streamlined processing to the private wealth community. **PPB Capital Partners** provides a roster of institutional alternative investment managers and builds/operates feeder funds, customized fund-of-funds and registered products for private wealth advisors.

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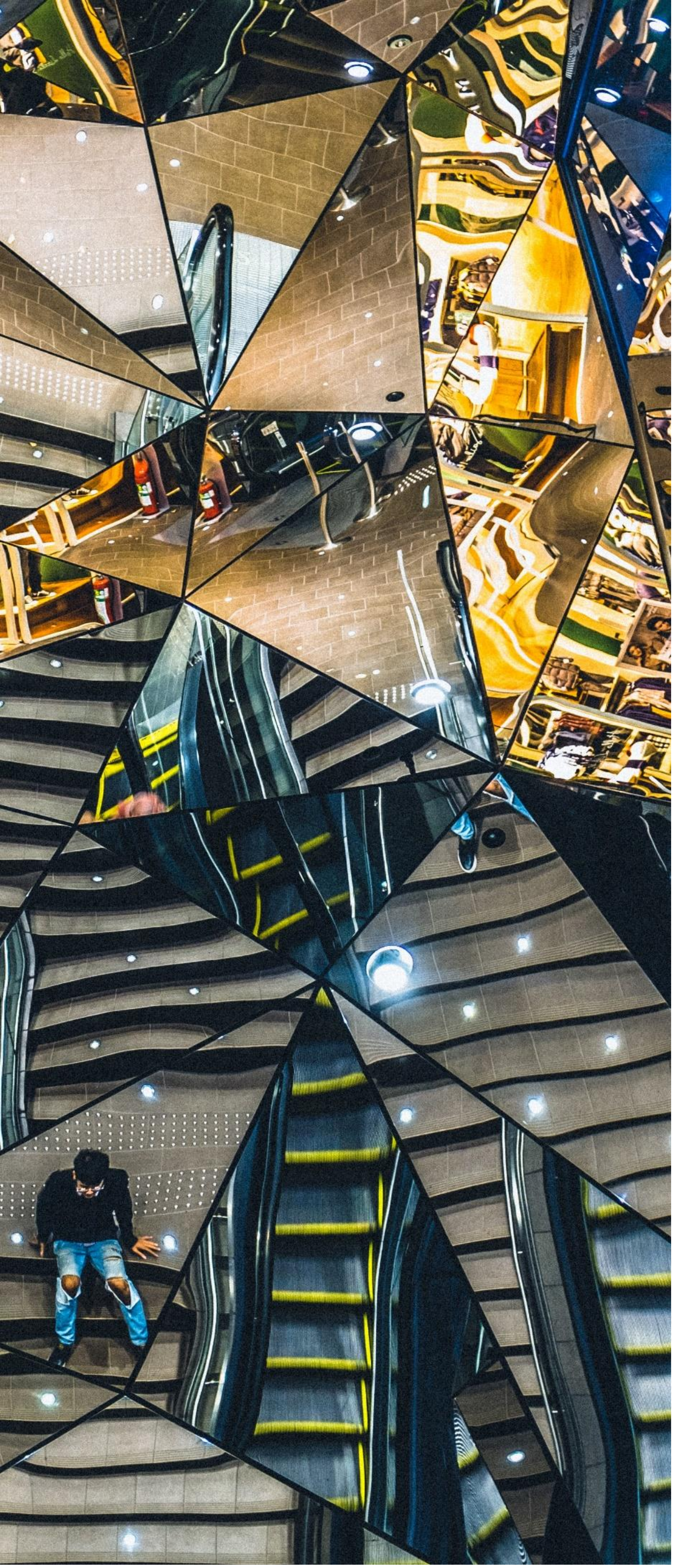


Summer 2022

Looking back at the last 36 months, it's staggering to comprehend what we all have gone through. A pandemic, the likes of which haven't been seen in more than a century, political discord, racial unrest, unspeakable gun violence and climate changes only scratch the surface. While the history books will remember many of those headlines as stark reminders of a turbulent time, the pages will also remind us of the financial volatility that was left in the wake of these events.

We are doing our part to help you preserve client assets. I remember 2008, when I founded PPB Capital Partners as the Great Financial Crisis was just gaining a stranglehold on the markets. Our mission now is the same as it was then—to bring premier alternative investment solutions and streamlined processing in alignment with the wealth advisor community. This, coupled with the vision of how we confidently anticipate the future will look, are why we remain optimistic of how to help you weather this storm of inflation to make a brighter future for your clients.

We've been in this together—through thick and thin—and there's no reason to change that now. We thank you for your support, your feedback and your resourcefulness through the years.

Brendan W. Lake
Founder and CEO

A Culture Forged From our Roots

Whether for the good or the bad, PPB is no stranger to navigating volatile markets. I first started the company in my condominium at 3rd and Fitzwater Street in Philadelphia in July 2008. After launching the firm, the Great Financial Crisis followed only a few months later. When the crisis hit, we weren't profitable, and we had not yet established our culture. The Madoff Ponzi scheme was exposed, and he headed to jail soon after.

It was, quite possibly, the worst time to start a new business that offered entry to private markets. However, despite all these circumstantial factors, PPB survived, and we were committed to making alternative investments more accessible to the private wealth community, just as we are today.

I'm sharing this history lesson to show that we not only weathered the most turbulent financial storm in nearly a century, but we came out on the other side with volumes of lessons that continue to shape what PPB Capital Partners is today. The practices of conservative decision making and sticking to the conviction in our beliefs from 14 years ago are still in place. We have never taken any capital from professional investors, we have zero debt, and we are 100% owned by employees and high-net-worth families. We are a lean organization with a network of private wealth relationships that crisscrosses the country.

In the years immediately following our infancy, we established a track record of profitability. In 2021 we achieved 35% annual growth, which is the 11th consecutive year of growing by double digits. Now that we're able to really start implementing our long-term vision, the economy is beginning to brace for another recession.

The growth we've had since emerging from the 2008 recession has permitted us to build a rock-solid culture. We control costs, stay conservative and have never forgotten the experiences of the financial crisis. From a macro point of view, if more uncertainty lies ahead, we will continue our cost-controlling mindset. I'm confident that the rewards of conservative operations will offer you and your clients a state-of-the-art private investing platform.

Personalized Support Remains the Standard

Our client service model continues to be the cornerstone of our culture. We listen to you … the private wealth community. Listen to your pain points, and tailor solutions for you. Every advisor is our most important partner. We are committed to the highest possible service level, building on the foundation of trust that was laid one conversation at a time 14 years ago.

Other alternative investment platforms have abandoned this concept, instead turning to technological upgrades to replace a handshake and a constructive conversation between partners. We aren't blind to the fact that technology can be an efficient tool. This is the 21st century, after all. But we do not rely on it as the be-all, end-all of our relationships with you. Human connections matter. Personalized support for your high-net-worth investors remains our priority now just as it was in 2008.

At its core, our mission to "bring premier alternative investment solutions and streamlined processing in alignment with the private wealth community," is just that … personalized service delivered personally. The concept of being in complete alignment with you is the crux of our business. Conflicts of interest are everywhere, and quantity has become more important than quality. Personalized service is currently disappearing.

As inflation continues to balloon and markets zigzag, we have no plans to change. In fact, now more than ever, it is our duty to be here for you, answer questions, recommend solutions and provide guidance when there is heightened uncertainty around the public and private markets.

Continuing to Grow to Meet Advisors' Needs

As inflation dominates the headlines and the lead stories on the news, you and your clients are understandably timid. Private markets can provide both long- and short-term volatility protection and stability in times of market stress.

When alternative investments take center stage in this environment, so too do the stressors that come with the operational tasks of implementing them in your clients' portfolios. Subscription documents aren't getting any smaller, nor are they getting any easier to complete. Yes, technology can play a part in this process, but only a part. We are happy to provide an element of hand holding to your back-office colleagues while performing the operational setup.

I have always felt that it is our fiduciary duty to assist as you perform your own fiduciary duty to your clients. That feeling will not be changing anytime soon. As public markets continue to fluctuate, more advisors are looking to the private markets as a great option to keep diversifying.

As more of you enter the space, workloads will reflect the increased demand. That means we have even more opportunities to help you do what you do best, which typically centers on the client experience.

In May 2021, our operations team was slightly more than one-third of our full-time staff. Fast forward to the summer 2022. Our operations team has more than doubled, making up more than 50% of PPB. And we aren't stopping there. White-glove service will continue as our hallmark, and our staff must be able to meet the demand of advisors with whom we wish to do business.

It's possible that maintaining GP/LP/LLC structures will overwhelm advisory firms. We anticipate the headcount of our operations team to keep rising, just as it has for the past 13 months. Private wealth advisors will be looking for assistance to complete the operational tasks associated with alternative investments, and we want to be the team that can do it for you.

Still Lean.
Still Cost-Controlled.
Still Transparent.

Beyond our commitment to continued white-glove service, we owe it to you to deliver the best investment results possible. Fee consideration is paramount. Before we make any business decision that will incur an additional expense, our first thought is the impact it will have on you and your clients. PPB runs a lean business model, which translates to a better experience for your clients.

Accordingly, we provide full transparency into our structures, and we share every detail with you. There are no fees or expenses buried deep in the fine print of our fund documents. The result is a simple solution that increases investors' access to alternative investment strategies in streamlined, transparent and cost controlled structures.

Every expense impacts the fund's IRR (internal rate of return) and MOIC (multiple on invested capital). In turn, that impacts your clients' returns and their investment experience. If these fees are pushed into the structure, they can become expensive and may not achieve sufficient scale for your firm. PPB is highly cognizant of this reality and has made significant efforts to control the costs within our funds.

These best practices aren't merely a vision. Best practices must be experienced, learned, tested and tried. Operating private funds as cost efficiently as possible was a key lesson learned following the 2008 financial crisis. True success presents itself by blending vision with execution.

One Size Does NOT Fit All

Personality, culture, investment process, and client experiences vary greatly from firm to firm. Add to that a variety of clients that your firm serves, and you have a painted canvas of bright shapes in all sizes and colors, rich with diversity. These differences and unique attributes bring depth and ingenuity to you.

PPB strives to reflect that individuality and uniqueness by listening. Through collaboration, we provide customized solutions that lead to deeper and more authentic relationships between you, your clients, and the integration partners with which we engage throughout this intricate process.

Wealth advisory firms often come to us with a strategy, or have a fund identified but are seeking a solution to aggregate assets to simplify the asset allocation process. Working together, we build the most appropriate structures that consist of necessary strategies for your clients. PPB firmly believes that a "one size fits all" approach is not a best practice.

Learning from our extensive history of partnerships, we understand you are seeking strategies that suit your clients' diverse needs. It takes customization, communication and collaboration. Whether it's a niche, feeder strategy, a customized fund-of-funds or any other private fund dynamic PPB embodies working together to make your vision a reality.

Lessons Learned:
Managing a Business During Times of Economic Crisis

- Be careful of quick expansion
- Watch every cost closely both in running your businesses and in the services you provide
- Human connections exceed "tech"ish developments
- Technology can be used to streamline and simplify processes, the value of personal customer service prevails
- Technology cannot be sold to advisors as the "answer to all prayers."

The Optimistic Outlook

Turn the tables on a turbulent 2022 with alternative investments

By Frank A. Burke, CFA, CAIA
Chief Investment Officer
PPB Capital Partners

For those who grew up watching educational programs like "Sesame Street," "Mr. Rogers' Neighborhood" and "Captain Kangaroo," a *word of the day* provided the foundation on which each episode was built. If the financial markets were selecting a *word of the first half of 2022*, there's no shortage of options from which to choose…

- Inflation
- Market Dislocation
- Market Noise
- Market Stress
- Supply Chain
- Volatility

It's not exactly a list that oozes positivity, is it? While that may seem true on the surface, it's not *ALL* doom and gloom. There is a brighter perspective for each of these. All it takes to see them in a positive light is an alternative investment solutions point of view. With optimism as our guide, let us go in search for the pot of gold at the end of the rainbow.

Inflation

Perhaps no term has been more synonymous with the first half of 2022 than inflation. The Federal reserve acknowledged an oncoming inflation spike as the calendar was turning from December 2021 to January 2022, a prediction that has come true in historic fashion. As such, the Fed has responded with drastic interest rate hikes that have been met with mixed public reaction.

Alternative investments can be a slam dunk portfolio diversifier. Commodities have been the standard-bearer for the trailing 12 months, and private equity and private credit strategies have been driving returns and mitigating volatility quite well—especially compared to their public counterparts. In addition, strategies such as real estate and direct lending, which both have significant variable rate return streams, have been excellent inflation hedges historically.

Inflation has been the foremost source of anxiety for investors, and more challenging times may lie ahead. However, these are the moments when advisors can turn to alternative investments to stabilize.

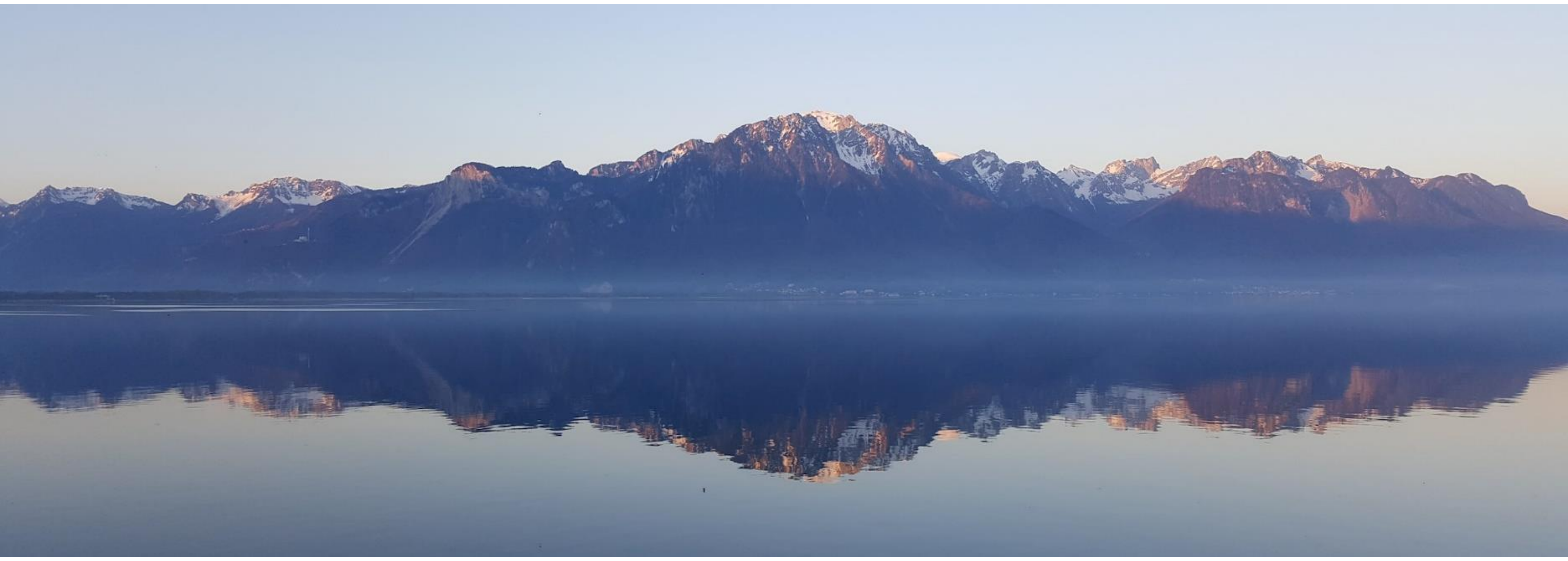
Market Dislocation

Market dislocation has presented opportunities for alternative investments to take center stage, with advisor allocations in portfolios increasing. It may be troublesome to some institutions, as the drop in the value of assets on the public side as pushed their private weights higher as an allocation percentage. This denominator effect will prohibit them from allocating to private investments at the same scale.

However, this may be a boon to advisors in private wealth since fund managers will be looking to further diversify their investor base with more high-net-worth investors. As the capacity among private managers increases, wealth advisors that understand the risk mitigation and alpha generation abilities of additional private strategies will be rewarded with even more opportunities to invest in some of the world's best fund managers.

The dramatic sell off of technology names has pressured valuation methodologies for venture capital and growth equity managers. While the public multiples have compressed significantly, the fundamentals of many of these funds' underlying portfolio companies have only grown stronger. This has given us an unusual situation of a paper write down in valuations, all while the underlying businesses continue to grow. These businesses represent the next wave of innovation for the remainder of 2022 and beyond. Staying the course for these opportunities to bear fruit is the prudent action, and the recent dislocation should create an excellent entry point to these strategies with new fund launches.

For all risk assets, one of the biggest challenges has been the sudden shift in interest rates. This has put more pressure on valuations across the board, but the more leverage-dependent strategies—such as buyout—are most impacted. Fund managers that have been able to demonstrate strong performance without using as much leverage as their peers will have a clear advantage.



Market Stress

Market stress can create the most opportunities for private investments. Fund managers have more discretion to value portfolio companies, and they can take a more thoughtful approach to how they measure companies. Market stress turns this process into an art form instead of an algorithm-produced output, once again relying on fundamentals and true facts of the companies' histories. As managers take this course, market noise becomes just that … noise.

When market stress is high, so too is the appetite for alternative strategies. Private markets are seen as portfolio stabilizers during these times.

Supply Chain

Without question, challenges related to the worldwide supply chain was the most prominent buzzword of early 2022. From cars and trucks to exercise equipment and furniture, pretty much anything that is manufactured experienced some sort of delivery delay.

These delays and pressure around inflation were exceptionally concerning for homebuilders and prospective homeowners. As it relates to alternative investments, the segment that drew the most interest was rental properties. With the prospect of would-be homeowners experiencing supply-chain related delays and are suddenly in the market for a rental property, single- and multi-family rentals are natural hedges. Also, with construction costs spiking across supply chains, the real estate funds focusing on the acquisition of these rental properties rather than development have benefited with some big valuation increases.

Moving forward, as supply chain constraints subside, development-focused strategies will become much more interesting, especially with valuations so high for acquisitions.

Real estate has created opportunities for investors to generate income streams through floating rates. As the Fed has continued to raise rates to ward off inflation, the hedge offered by real estate has only helped.

Volatility

Public market volatility throughout the beginning of 2022 has produced a challenging time for investors. As the war in The Ukraine continues, oil prices are unstable and rate increases from central banks have tried to combat inflation, extended periods of volatility have become this year's true calling card. These are the times when implementing strategies that are less tied to the broader markets can alleviate investors' concerns.

Commodities have performed well. Ancillary commodity positions (global macro) have also pushed to positive performance. Private and growth equity are still in demand and long/short equity has delivered annualized double-digit returns for the past three years. These are all appropriate hedge strategies for investors to battle public market volatility.

With half of the year in the rear-view mirror, the focus is now on the (possibly rocky) road ahead. Maintaining a long-term view of all markets—both public and private—is a time-tested strategy. Added to proper diversification with a sizable allocation to alternative investments, what you get is a living, breathing testament to an optimistic outlook and a way to help investors navigate what has become a volatile 2022.

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