

Time to Buyout?

Where are the opportunities in information technology?

Opportunities

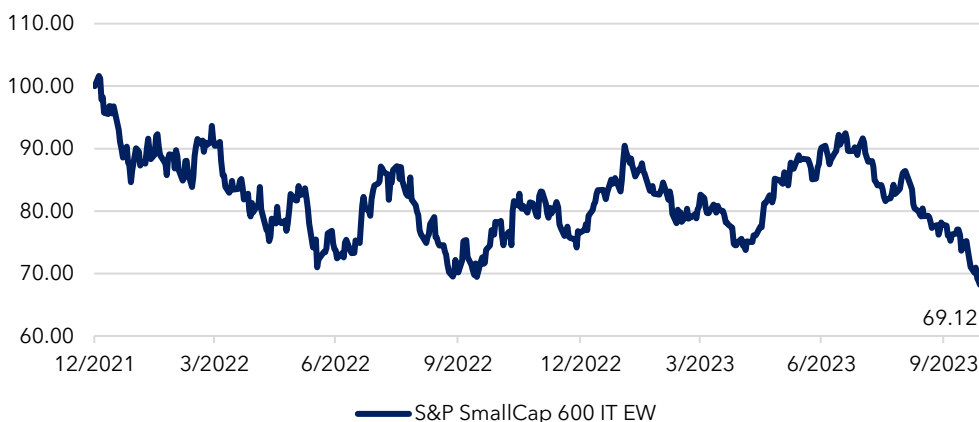
- ✓ \$20 trillion tangible addressable market for technology
- ✓ Reshoring of critical supply chains
- ✓ Secular integration of technology

Catalysts

- ✓ \$145 billion Department of Defense research and development budget
- ✓ \$280 billion CHIPS and Science Act
- ✓ 18x increased investments in AI from 2013 to 2023

- ◆ The recent run of the S&P 500 and NASDAQ Composite can attribute most gains to a handful of stocks.
- ◆ The S&P SmallCap 600® Equal Weight Information Technology Index, the average constituent of which is more comparable to target LBO investments, is lagging by double digits. As of October, the index is still down more than 30% from its peak.
- ◆ While this is a stock picker's market, it is also a buyout market.
- ◆ While such a dispersion will be beneficial in the long term for stock pickers, it is also an environment rife with buyout opportunities.

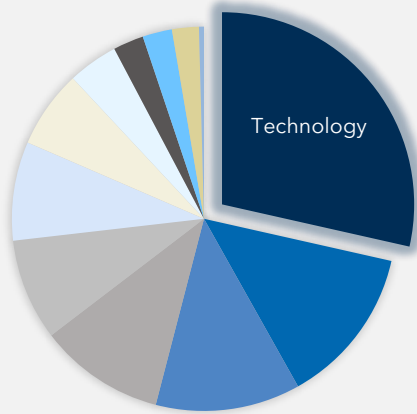
How the Many Have Fallen



Opportunities in Private Markets

Since the turn of the century, the Technology sector has quickly grown to the largest component of the S&P 500. In the debate between public and private investing, some may argue that this exposure is more than plenty for any portfolio.

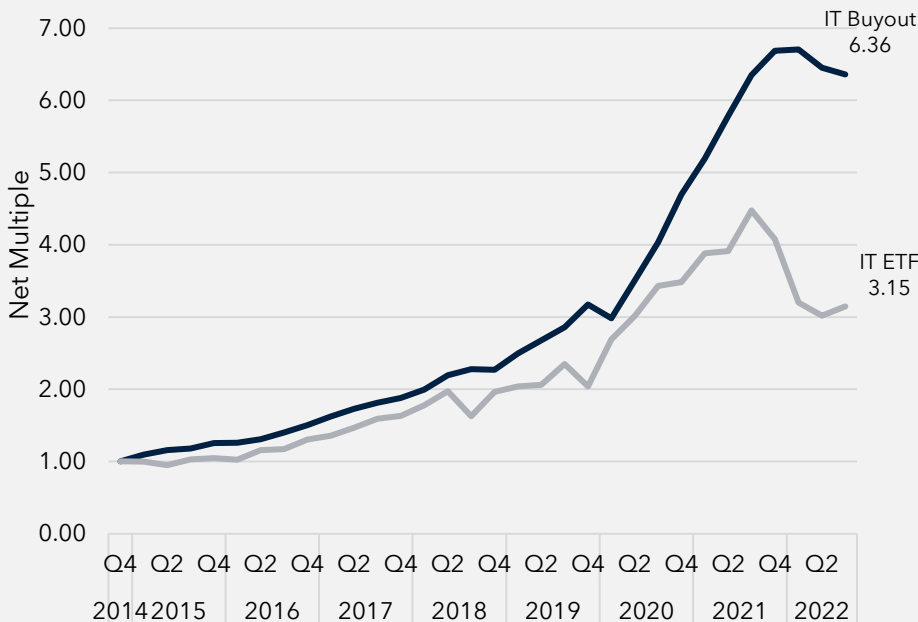
U.S. Large Cap ETF



However, as more companies have stayed private for longer, those who ignore private markets are bound to miss out on significant upside potential. Since 2014, private equity buyout strategies focused on technology have outperformed the public IT benchmark.

A replacement by no means, private market tech investments can be highly complementary to the growth and equity components of a client's portfolio and may drive long-term, generational returns.

IT Buyout Complements Public Investments



References and Disclosures

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