



THE VALUE OF BEING A LEAD CO-INVESTOR

JANUARY 2022

Past performance is not necessarily indicative of future results. No assurance can be given that any investment will achieve its objectives or avoid losses. Unless apparent from context, all statements herein represent GCM Grosvenor's opinion.

As co-investing continues to evolve as a strategy, so too has the role of lead co-investor. Given the lead co-investor provides a significant portion, if not the majority, of the equity co-investment capital required to fund a private equity transaction, the role carries great importance for both sponsors and investors.

As explored further below, forming strong sponsor relationships and creating a track record of demonstrable speed, efficiency, and certainty in co-investment execution can create significant sponsor value. In turn, being the lead investor on a co-investment deal can provide certain advantages to limited partners ("LPs") during the sourcing, evaluation, and structuring process that can help generate superior investment results. Lead co-investors in middle market buyouts are particularly well-positioned to build valuable partnerships with private equity sponsors and deliver better investment outcomes to LPs, but they need the scale, experience, and capital base to be able to secure that lead role.

VALUE TO SPONSORS

Effective lead co-investors can provide sponsors with...

- **Capital and Resources to Move Quickly**

- › Established lead co-investors have the internal and external resources to expedite due diligence, if necessary, without compromising the quality of their diligence review. Lead co-investors with a commercial approach and streamlined approval process can provide a go / no-go decision early in the process and deliver an equity commitment to support a private equity sponsor's bid even in a compressed, competitive sale process.

- **Independent Diligence Review**

- › Lead co-investors with years of experience evaluating and investing in companies across industries can identify the threshold issues in a deal and not be distracted by other issues that could have a marginal impact on returns. Experienced lead co-investors can navigate the due diligence and internal approval process independent from the sponsor. Hence, partnering with the right lead co-investor allows sponsors to spend less time leading co-investors through due diligence and more time developing value creation plans, structuring the investment, and negotiating definitive documentation.

- **Confidence of Closing and Equity Support to Win**

- › Lead co-investors with large pools of dedicated capital and an established institutional decision-making process can provide equity support letters and binding equity commitments at key points in the sale process. By providing a credible equity co-investment commitment early in the sale process, a lead co-investor gives the sponsor access to the capital required to aggressively pursue the target and the flexibility to submit a compelling final bid.

VALUE TO INVESTORS

Lead co-investors are often viewed by the sponsor as a true partner, and therefore can provide LPs and their investors with...

- **Differentiated Deal Flow and Meaningful Allocations**

- › Lead co-investors often see proprietary investment opportunities that are not offered in a broad co-investment syndication process. They also typically receive outsized guaranteed allocations relative to smaller co-investors. Sponsors often value the resources that qualified lead co-investors can dedicate to the deal upfront and the increased confidence of close that comes with partnering with established co-investors.

- **Enhanced Due Diligence**

- › Lead co-investors typically have better access to critical due diligence information and to the sponsor, including a more direct dialogue with the deal team. Sponsors frequently offer lead co-investors significant time with the target company's management team as well. In addition, sponsors often reach out to co-investors who can underwrite larger equity commitments before engaging a broader group. Better access and more time enable more in-depth and comprehensive due diligence for lead co-investors compared to what smaller co-investors may have in more broadly syndicated deals. For LPs and investors, this means a more complete picture of the opportunity and increased confidence in their understanding of the risk/return profile.

- **Appropriate Alignment, Information, and Access**

- › Lead co-investors typically have more leverage in legal and commercial negotiations, including but not limited to sponsor economics, board representation or observer rights, and consent or negative controls. Lead co-investors also have strong economic and structural alignment with sponsors. They can request better information rights which allows for more comprehensive reporting and more frequent updates on the company's progress during the investment period, creating more transparency in the deal.

THE GCM GROSVENOR ADVANTAGE

GCM Grosvenor frequently serves as a lead co-investor and has many of the attributes that sponsors and investors value in a partner, including:

- **Established Alternatives Platform with Significant Private Equity Resources**

- › With over \$70 billion of AUM and nearly 20 years of co-investment experience, GCM Grosvenor has the capital base and credibility in the market to support private equity sponsors on even the most complex transactions. We have a team of over 50 private equity professionals globally and can evaluate co-investment opportunities efficiently and effectively even under pressured timelines.

- **Efficient Diligence Process**

- › Our team brings extensive, diversified experience in both direct investing and co-investing, which helps us complete due diligence on an accelerated basis and focus on the most critical diligence issues early in the sale process. In addition to working with sponsors, we conduct independent due diligence to validate growth and value creation plans and to evaluate both the sponsor's fit with each deal and the target company management's capabilities to drive growth.

- **Broad, Qualified Deal Flow**

- › GCM Grosvenor's experience and relationships across multiple asset classes and investment verticals allow us to source diverse private equity co-investment opportunities. Over the last 5 years, we have utilized our sourcing platform and leveraged our manager relationships to source over 1,700 deals and have acted as sole or lead co-investor in 51% of deals since 2012¹.

Learn more about GCM Grosvenor's Private Equity Platform, including our co-investment capabilities [here](#).

AUM and employee data as of December 31, 2021.

All other data as of September 30, 2021

¹ For buyout co-investments since 2012 where GCM Grosvenor invested more than \$20 million. Sole or Lead Co-Investor means GCM Grosvenor was either (i) the sole non-sponsor co-investor; (ii) the largest non-sponsor co-investor; or (iii) the lead investor of the current investment round.

ABOUT GCM GROSVENOR

GCM Grosvenor (Nasdaq: GCMG) is a global alternative asset management solutions provider with approximately \$70 billion in assets under management across private equity, infrastructure, real estate, credit, and absolute return investment strategies. We have specialized in alternatives for more than 50 years and are dedicated to delivering value for clients by leveraging our cross-asset class and flexible investment platform. Our experienced team of approximately 520 professionals serves a global client base of institutional and high net worth investors. GCM Grosvenor is headquartered in Chicago, with offices in New York, Los Angeles, Toronto, London, Frankfurt, Tokyo, Hong Kong, and Seoul.



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