GCM GROSVENOR

8 QUESTIONS WITH

Tanner Ainge

Founder & Chief Executive Officer,
Banner Capital

Q Tanner, you and the Banner team have spent the past several years building Banner from an independent sponsor into an institutional emerging manager. Walk us through that journey — what was the original vision, and what does it mean to you that you built Banner brick by brick rather than spinning out of an established platform?

The original vision was simple: build a great investment firm the right way and create something that could last. That meant focusing not only on generating returns, but also on building the infrastructure, relationships, and culture that would support the business for the long term.

We've spent years investing together, building a track record, and building Banner itself. Along the way, we've developed a clear identity as a firm, and the people we work with, whether business owners, vendors, or LPs, know what to expect from us.

We took a measured approach, building brick by brick, and we have some calluses on our hands from the process, but that's a good thing. Our partners know we have the right experience to back up our value proposition and that they can count on us. They're working with a team that has built a body of work and earned its reputation over time. And for me personally, there is a great deal of satisfaction in knowing I had a hand in laying every brick along the way.

Q **Banner focuses on what you call "essential services" — businesses that power the Main Street economy. What drew you to these types of businesses, and why are they particularly well-suited to your investment approach regardless of where we are in the economic cycle?**

The sectors that we have invested in have undeniable staying power. They provide services and products that are relied upon by almost everyone—cleaning carpets, resurfacing parking lots, or replacing a roof. Several years ago, people were looking for businesses that could not be disrupted by Amazon. Today, they are looking for resilience in the era of AI. All these core services remain necessary, and some are often ignored by institutional capital.

We also want to balance partnering with founders who have built a solid foundation for many years, while still fitting within our size parameters as a lower middle market fund. That profile tends to be a fragmented cohort of these core service businesses located in our region, and we believe there is a great opportunity there.

Finally, I personally love the founders and entrepreneurs in this sector and region. They have grit and values that I admire and respect. They care about their employees and their community, and that matters to us.

Q The Intermountain West is at the center of everything Banner does. Why this region — and why does exclusive geographic focus create a durable competitive advantage?

First, the Intermountain West is home. I personally have deep ties to the Utah and Arizona markets, which also happen to be underserved for buyout funds, particularly in the lower middle market. Everyone on our team has grown up, gone to college or spent the better part of their career in this region, and we find that matters to founders. This gives us a differentiated understanding of the region and helps us build relationships with founders—they care that we are truly a part of this community. It also supports our ability to recruit new talent to our companies and to help open doors to new customers.

Perhaps most importantly, this region is growing. Economic growth is outpacing the broader United States, there is strong demographic momentum—the population is growing and younger on average, credit card delinquency rates are lower, and there is strong visibility into the necessary infrastructure investment that is required over the next decade. It's also helpful that this region tends to have a business-friendly regulatory environment. This all culminates to create a tremendous opportunity set.

Q Differentiated sourcing is often the decisive factor in lower middle market private equity. Can you describe how Banner's sourcing engine works, and why the relationships and network you've built over nearly a decade are difficult for a newer or larger competitor to replicate?

Our longstanding commitment to the Intermountain West is incredibly impactful in sourcing. Founders know that we are from here and that this community matters to us. We are deeply entrenched in this region and take the time to get to know founders. We might build a relationship with a business for five years before we ever transact, and by that time they know our reputation, and we know theirs.

In addition, business owners, brokers, and advisors in the region all want to know they are dealing with a credible and trustworthy partner—that they will close on the deal, keep their word, and so on. We have a list of founders they can call as references, and a list of brokers or advisors we have purchased from, who all tend to be regional. They might be in the same CEO forum or coach a Little League team or be part of a church or community group or go on the same golf or hunting trip with someone who we've done business with. We have built a track record of credibility in the Intermountain West, and these data points of being a trusted partner matter a great deal.

We also do a ton of work in niche sectors, and sometimes founders just respect the hustle that we've put in to track them down and speak to their peers or attend their trade conferences. This helps us build coalitions of multiple owners in a single sector.

Q You invest in founder-owned and family-owned businesses — people who have spent decades building something and are often making the most consequential financial decisions of their lives. How does Banner approach structuring those relationships and engage in value creation support? What does "founder-friendly" look like in practice once a deal is closed?

There are a lot of horror stories out there when it comes to private equity and founders, and we try to study those and understand what goes wrong.

First and foremost, we recognize that if you take someone who has been an owner and a founder for many years, they will never survive as a W-2 employee. It is simply not in their nature. We treat them as partners and owners and almost always keep them as the primary operating leader of the business.

We also lean into the changes the founder has already identified as having room for improvement, and we take that off their plate. This usually includes upgrading the finance function, improving access and terms to debt financing, bringing in the ability to do M&A, and introducing a strong governance framework.

This is where I think many founders go sideways with their private equity partners, who try to come in as the new sheriff, and then any change is met with resistance. Because most of our partners roll substantial equity into the deal, and because they've spent their entire lives building the business, we typically see their voice as the most important one in the room, not our own. So, we solve problems together and our incentives are aligned. At the same time, we've learned that if a founder just wants to sell—doesn't want to remain an owner to keep building or doesn't want any help from us in the business—then they won't be right for us, and we simply move on.

Q The independent sponsor market has grown to more than 1,500 firms globally (McGuireWoods LLP), yet few have successfully made the transition to an institutional emerging manager. In your view, what separates the firms that make that leap from those that don't — and where does Banner sit on that continuum today?

The independent sponsor market has grown significantly, but it encompasses a very broad range of models. A retired executive with some 401(k)-capital looking to buy a small business in his or her sector of expertise is technically an independent sponsor, and sometimes the most successful kind. But that is oftentimes a one-and-done model. A search fund also tends to be one-and-done, even though there are a ton of those now.

If you focus on the firms that have operated for several years as an independent sponsor and have generated a solid track record, it is a much smaller group, one we are proud to be a part of. Many who make it into that bucket are often just satisfied with the deal-by-deal model, and there is no need for them to change it.

Others prove themselves as an independent sponsor and then raise a successful fund, and another, and quickly exceed $1B fund sizes and find themselves upmarket doing different types of deals entirely. Banner wants to be somewhere between those ends of the spectrum. We want the institutional platform, repeatability, the world-class team, reporting, but we are content staying in the lower middle market for our entire careers because we think it is what we do best.

Q You had options when selecting an institutional partner for Banner's next phase of growth. What made GCM Grosvenor's Elevate Strategy the right fit, and what do you expect from this partnership beyond the capital itself?

The CEO of one of our portfolio companies is an author and public speaker on the topic of trust. I have learned a lot from him about this topic. There are two key ingredients to trust—character and capacity. Capacity focuses on whether the person or organization has the requisite ability to be trusted. With GCM Grosvenor, that is obvious. Over $90B in AUM, the ability to make very large commitments, in-house expertise and systems that have been elevating world-class emerging managers for decades. So, I knew they were one of the few platforms who could help us scale.

Then I turn to the character side of trust. I have met very few individuals in the asset management world who have the character of Kevin Nickelberry and Elizabeth Browne. They are honest and authentic. They care about the emerging managers they are helping to scale. They do what they say they are going to do. These are the type of people we want around the Banner Capital table for years to come.[1]

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1. The endorser has a material conflict of interest resulting from their relationship with GCM Grosvenor: GCM Grosvenor's Elevate Strategy is currently making an investment in Banner Capital, the firm in which the endorser is a partner. No cash or non-cash compensation was provided by GCM Grosvenor in exchange for this endorsement. No assurance can be given that any investment will achieve its objectives or avoid losses.

Q Looking out five to ten years, what does a successful Banner Capital look like?

In five to ten years, Banner Capital looks very similar in some ways and different in others. I expect our team and our strategy to stay consistent. The amount of capital raised and deployed, the number of companies we've partnered with and led through exits, the total dollars we've returned to investors—all of that we hope to be very different, in a good way.

With the working rapport and alignment we now have with GCM Grosvenor, with touch points across an even broader allocator ecosystem, and Banner Capital's ability to source and manage attractive investment opportunities in our niche and region, I hope to see Banner thriving to produce many successful funds and a long-term lower middle market platform.

In ten years, we hope to be one of the elite asset managers in the lower middle market, period. When you add a regional screen to that list, we want to be at the very top.

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About GCM Grosvenor

GCM Grosvenor (Nasdaq: GCMG) is a global alternative asset management solutions provider with approximately $91 billion in assets under management across private equity, infrastructure, real estate, credit, and absolute return investment strategies. The firm has specialized in alternatives for more than 50 years and is dedicated to delivering value for clients by leveraging its cross-asset class and flexible investment platform. GCM Grosvenor's experienced team of approximately 550 professionals serves a global client base of institutional and individual investors.

The firm is headquartered in Chicago, with offices in New York, Toronto, London, Frankfurt, Tokyo, Hong Kong, Seoul and Sydney.

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