

aspequity



Solving the Challenges of Private Asset Investment



Company

Aspequity, Inc. is dedicated to helping customers with the complex challenges of investing in private assets. We provide powerful analytics to our global client base of LPs, GPs, data providers, and investment advisors.

By combining in-depth industry experience with data science, quantitative and fundamental investment analysis expertise, our team enhances our customers' decision-making, investor communications, asset allocation, fund manager selection and business development.

Our products and services cover different asset classes like private equity, private credit, venture capital, real estate, and infrastructure and enable clients to perform detailed analysis of their investments and make efficient decisions about their holdings.

Locations

Our headquarters are in the Boston area, USA and currently we have offices both in North America and Europe.

Team

Aspequity's senior management brings combined experience of more than 75 years in the financial and technology industry.

Partners

We work in partnership Northfield, a recognized global thought leader in the field of risk factors for four decades.

Challenges of Private Asset Investment

With the growing allocation to private equity in recent years it becomes critical to find ways to reliably project PE cash flows and value. However, this is challenging due to the structure and illiquidity of the asset class, the scarcity of publicly available information, and the high degree of uncertainty about the size and timing of both contributions and distributions. Moreover, the shift in global trends led to an increasing importance placed on fair value by international accounting bodies and national regulators which require a fundamental change in the valuation approaches to private assets.

The cornerstone issue of fair value in illiquid markets is that it is ultimately based on judgement, which gives rise to a potentially biased view of PE interests. To minimize this problem, the valuation analysis must be performed by independent professionals using industry best standards consistently through their practice. In-house NAV values are often a useful guidance to value, but ultimately the independence of the party performing the analysis assures the objectivity of the outcome. Consistent standards across the universe of assets allows for the decision making process to compare and contrast, invest, reject, or divest with good basis.

In the current market environment the need for economically sound valuations is even more pronounced, both at the deal as well as the portfolio level which concerns both General and Limited partners. In particular of interest to Limited Partners, the dislocation of total portfolio allocations has brought up essential questions of the relative value of private assets in the face of precipitous public market drop. Meanwhile, with approximately one quarter of assets in private funds held in dry powder, as of the time right before the crisis, GPs shall be faced with tough decisions to choose acquiring distressed public assets or keeping afloat existing companies, each alternative with distinct economic benefits to investors.

Private credit and lending to private funds also faces challenges of similar magnitude. Lenders are likely to start calling credit facilities backed by investor commitments, which would drastically accelerate capital called from cash strapped Limited Partners. The magnitude of this effect can only be reliably estimated by comparing capital call patterns of the fund prior to the crisis with historical norms of a robust pacing model.

Probability and severity of default across industries and issuers will become primary indicators of interest to investors and lenders. Unlike public markets where credit spreads provide some measure of default risk, private markets are not readily equipped with the same tool set. Based on our comprehensive approach to private firm and fund financial structure we are able to provide the relevant insights to investors in private credit as well as private equity.



Our Solutions

We offer proprietary models for forecasting of private assets cash flows and fair value. Our models provide a robust approach that addresses the perspectives of a vast majority of investors in private partnerships. They incorporate the volatility of the underlying investments to project a complete investment outlook, reflecting the inherent uncertainty of investment cash flows and the risk aversion of investors.

Our models are risk-aware, independent from fund managers, compliant with IPEV and AICPA guidelines, and a suitable bench-marking methodology across periods and funds. They do not compromise on granularity, attention to detail, and integrity of the valuation process, and are applicable to traditional private asset deals, and funds, as well as hybrid structures.

Benefits to LPs

Our solutions provide LPs with an assessment of the magnitude of potential cash flow shortage in relation to future liabilities (redemptions, pension outlays, capital expenditure, future unfunded commitments, etc.) They also give an objective estimate of the size of their exposure to private assets in the context of total portfolio rebalancing. Finally, LPs will get a measure of the value of commitment programs and expected secondary market values to assist them in disposal and liquidity decisions.

Benefits to GPs

Our products and services allow GPs to predict the amount and variation of future distributions, optimize capital calls and deal flow, and thus plan capital resources in the most efficient. Also, GPs considering acquisitions and dispositions benefit from a comprehensive valuation approach that incorporates economic payoffs and risks, rather than smoothed accounting estimates or subjectively defined comparables. Finally, GPs involved in private credit take advantage of estimates of probability and severity of default.

BOSTON Cash Flow Model

BOSTON (Bow-Speed Time-Option Normalized) - a proprietary model for forecasting of cash flows.

Main Features:

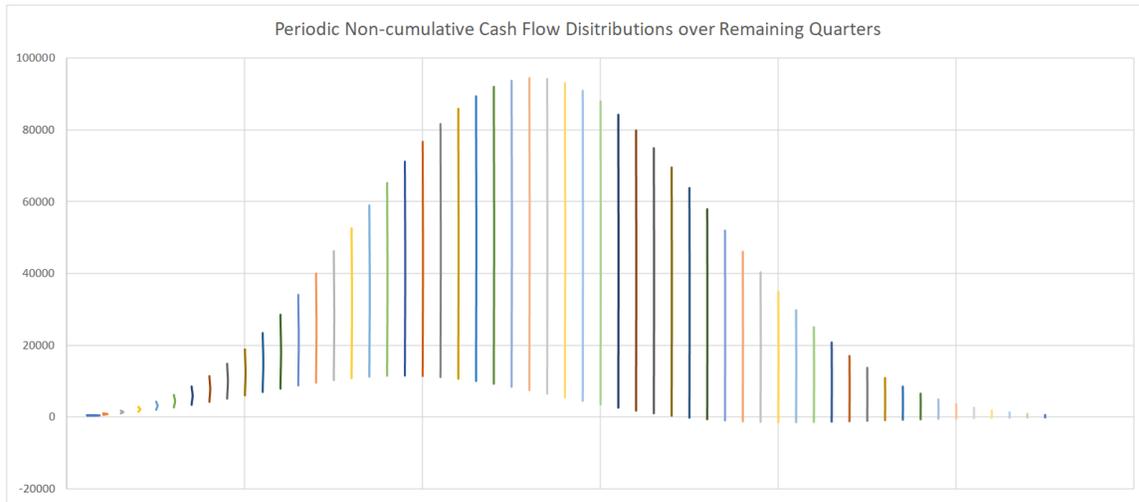
- Founded on sound economic principles and broad empirical support.
- Combines the intuition of the Takahashi-Alexander model (2002) with our own research insights, resulting in a robust approach that addresses the needs of the vast majority of investors in private partnerships.
- Incorporates the volatility of the underlying investments to provide a complete investment outlook, reflecting the inherent uncertainty of investment cash flows.
- Provides LPs with a measure of the magnitude of potential cash flow shortages in relation to future liabilities (redemptions, pension outlays, capital expenditure, unfunded commitments).
- Allows GPs to predict the amount and variation of future distributions to optimize capital call schedules and deal flow, as well as efficiently plan the capital resources.

BOSTON Cash Flow Model Sample Report: Distributions

Portfolio: Buyout_Fund_N
As of date: 20200329

Model: BOSTON
Currency: USD

Cash Flow Forecast



Cash Flow Forecast Details

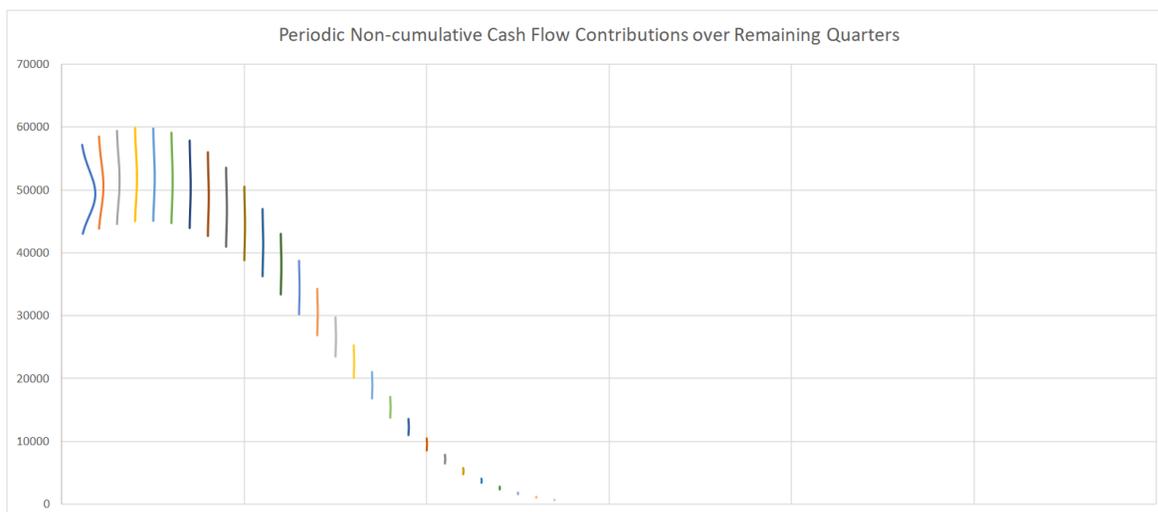
Period	low 99%	low 95%	low 90%	low 75%	high 75%	high 90%	high 95%	high 99%	average
1	424.38	434.95	445.51	466.64	519.47	540.60	551.16	567.01	493.65
2	696.85	732.43	759.12	816.93	941.46	999.28	1,025.96	1,065.99	879.70
3	1,066.64	1,141.46	1,200.25	1,307.14	1,563.66	1,675.89	1,729.34	1,809.50	1,436.00
4	1,540.32	1,675.37	1,776.65	1,972.47	2,424.88	2,613.95	2,715.23	2,850.28	2,196.06
5	2,130.92	2,344.63	2,507.05	2,823.35	3,558.53	3,874.83	4,045.80	4,259.51	3,191.91
6	2,823.80	3,155.64	3,401.84	3,883.54	5,018.22	5,499.92	5,756.82	6,088.66	4,452.09
7	3,621.19	4,109.82	4,479.58	5,179.50	6,817.04	7,530.16	7,899.93	8,388.55	5,999.76
8	4,513.26	5,202.81	5,715.96	6,694.16	9,003.36	9,981.56	10,510.70	11,184.30	7,850.57
9	5,503.89	6,404.81	7,114.05	8,455.85	11,580.30	12,903.00	13,612.20	14,532.30	10,010.70
10	6,537.49	7,733.46	8,658.64	10,418.70	14,525.70	16,285.80	17,210.90	18,429.50	12,474.80
11	7,604.77	9,149.20	10,353.30	12,578.40	17,866.00	20,117.20	21,295.20	22,839.60	15,225.20
12	8,706.35	10,622.50	12,119.50	14,933.90	21,520.70	24,335.10	25,832.10	27,778.20	18,230.70
13	9,754.12	12,118.90	13,943.10	17,388.90	25,496.70	28,942.50	30,766.70	33,165.30	21,446.60
14	10,741.00	13,600.30	15,782.40	19,958.40	29,702.40	33,840.80	36,022.90	38,919.80	24,815.90
15	11,634.40	15,026.90	17,633.30	22,515.20	34,016.60	38,939.80	41,504.90	44,897.40	28,270.60
16	12,448.80	16,358.80	19,370.00	25,032.90	38,426.10	44,089.00	47,145.10	51,055.20	31,734.60
17	13,071.10	17,558.40	20,984.10	27,497.90	42,744.90	49,258.70	52,732.70	57,220.00	35,126.90
18	13,521.80	18,591.70	22,432.50	29,755.80	46,962.80	54,286.10	58,178.10	63,196.80	38,365.10
19	13,840.00	19,430.70	23,731.20	31,848.40	50,878.20	59,049.20	63,349.70	68,940.40	41,369.40

BOSTON Cash Flow Model Sample Report: Contributions

Portfolio: Buyout_Fund_N
As of date: 20200329

Model: BOSTON
Currency: USD

Cash Flow Forecast



Cash Flow Forecast Details

Period	low 99%	low 95%	low 90%	low 75%	high 75%	high 90%	high 95%	high 99%	average
1	43,482.80	44,352.90	45,239.10	47,060.50	51,911.50	53,976.10	55,036.10	56,661.20	49,581.20
2	44,300.80	45,478.20	46,380.00	48,390.00	52,990.00	55,256.60	56,331.70	57,979.30	50,755.70
3	45,048.40	46,296.20	47,298.50	49,171.20	53,939.80	56,152.40	57,234.00	58,890.70	51,610.60
4	45,483.90	46,758.50	47,735.30	49,675.60	54,428.10	56,529.60	57,684.30	59,255.70	52,067.50
5	45,591.30	46,820.80	47,774.80	49,681.70	54,373.40	56,507.00	57,690.00	59,198.40	52,075.50
6	45,221.40	46,445.80	47,372.80	49,233.20	53,865.90	55,942.10	57,076.70	58,570.80	51,593.50
7	44,406.00	45,606.40	46,533.20	48,331.70	52,771.00	54,808.20	55,889.90	57,346.10	50,592.90
8	43,129.20	44,288.70	45,168.70	46,886.80	51,159.10	53,062.70	54,116.10	55,481.10	49,060.50
9	41,413.90	42,472.50	43,321.50	44,966.20	48,993.30	50,782.70	51,763.30	53,057.50	47,001.30
10	39,231.30	40,228.10	41,013.30	42,541.00	46,281.90	47,961.60	48,863.10	50,070.00	44,441.60
11	36,646.50	37,569.20	38,301.30	39,683.50	43,123.10	44,654.10	45,471.10	46,559.00	41,429.30
12	33,730.40	34,556.60	35,212.90	36,472.40	39,551.90	40,924.20	41,667.80	42,648.90	38,034.60
13	30,531.00	31,269.20	31,847.80	32,962.20	35,695.10	36,903.60	37,554.60	38,422.40	34,347.20
14	27,154.20	27,800.70	28,301.60	29,277.90	31,646.40	32,690.30	33,249.70	34,001.80	30,472.60
15	23,700.30	24,254.60	24,686.50	25,509.50	27,519.90	28,410.50	28,881.60	29,511.80	26,526.60
16	20,278.10	20,737.40	21,095.90	21,780.70	23,455.60	24,186.40	24,586.20	25,103.10	22,627.20
17	16,975.50	17,351.80	17,642.50	18,203.40	19,557.10	20,152.10	20,473.40	20,892.30	18,887.00
18	13,888.60	14,189.00	14,419.10	14,863.80	15,937.60	16,406.40	16,658.20	16,985.60	15,405.50
19	11,091.80	11,323.20	11,502.90	11,846.20	12,670.70	13,032.70	13,225.00	13,476.80	12,261.70

EXPLO Valuation Model

EXPLO (Expected Profit Loss) - a proprietary private asset valuation model.

Main Features:

- Available at each point in time and thus suitable as a comparable methodology for benchmarking across periods and funds.
- Compliant with IPEV and AICPA guidelines.
- Risk aware methodology.
- Option to stress test model results to incorporate various risks and scenarios in the analysis.
- Based on the most advanced research and techniques in the industry that do not compromise on granularity, attention to detail, methodology rigor, and integrity of the valuation process.
- Applicable to traditional private deals and funds, as well as hybrid structures that incorporate embedded options and contingencies.
- Provides Limited Partners with an objective economic estimate of the size of private asset exposure in the context of total portfolio rebalancing.
- In addition, LPs will get a specific measure of the value of commitment programs and expected secondary market values to assist them in disposal and liquidity decisions.
- General Partners considering acquisitions and dispositions of deals benefit from a comprehensive valuation approach that incorporates economic payoffs and risks, rather than smoothed accounting estimates or subjectively defined comparables.
- GPs involved in private credit can also take advantage of estimates of probability and severity of default that are an additional output of the model for any particular capital structure.

EXPLO Valuation Model Sample Report

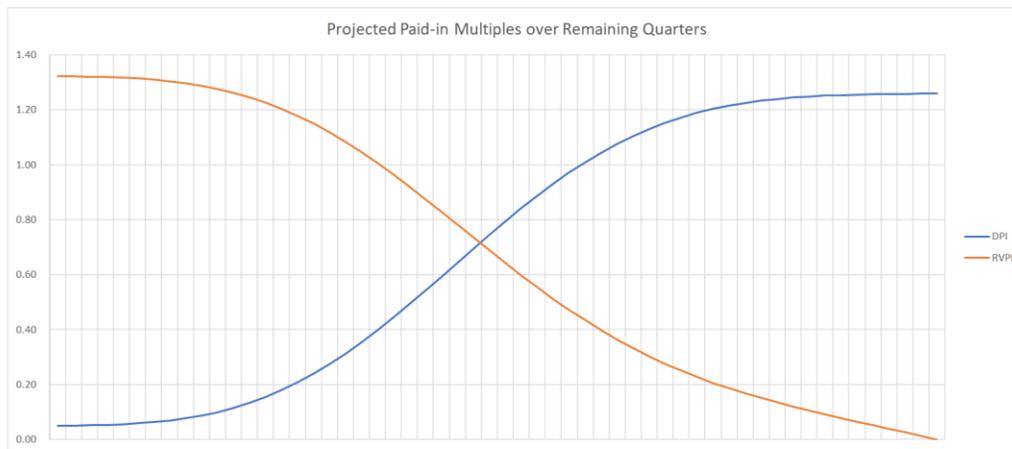
Portfolio: Buyout_Fund_N
As of date: 20200329

Model: EXPLO
Currency: USD

Residual Values Forecast



Paid-in Multiples Forecast



Valuation and Paid-in Multiples Forecast Data

Period	Residual Value	DPI	RVPI	TVPI
1	1,322,630.00	0.05	1.32	1.37
2	1,322,150.00	0.05	1.32	1.37
3	1,321,300.00	0.05	1.32	1.37
4	1,319,930.00	0.05	1.32	1.37
5	1,317,850.00	0.06	1.32	1.37
6	1,314,850.00	0.06	1.31	1.37
7	1,310,690.00	0.06	1.31	1.37