Private Markets Recommendation

Manager: Ufenau
Fund: Ufenau VIII Asset Light
Report Date: February 2025

Recommendation Summary

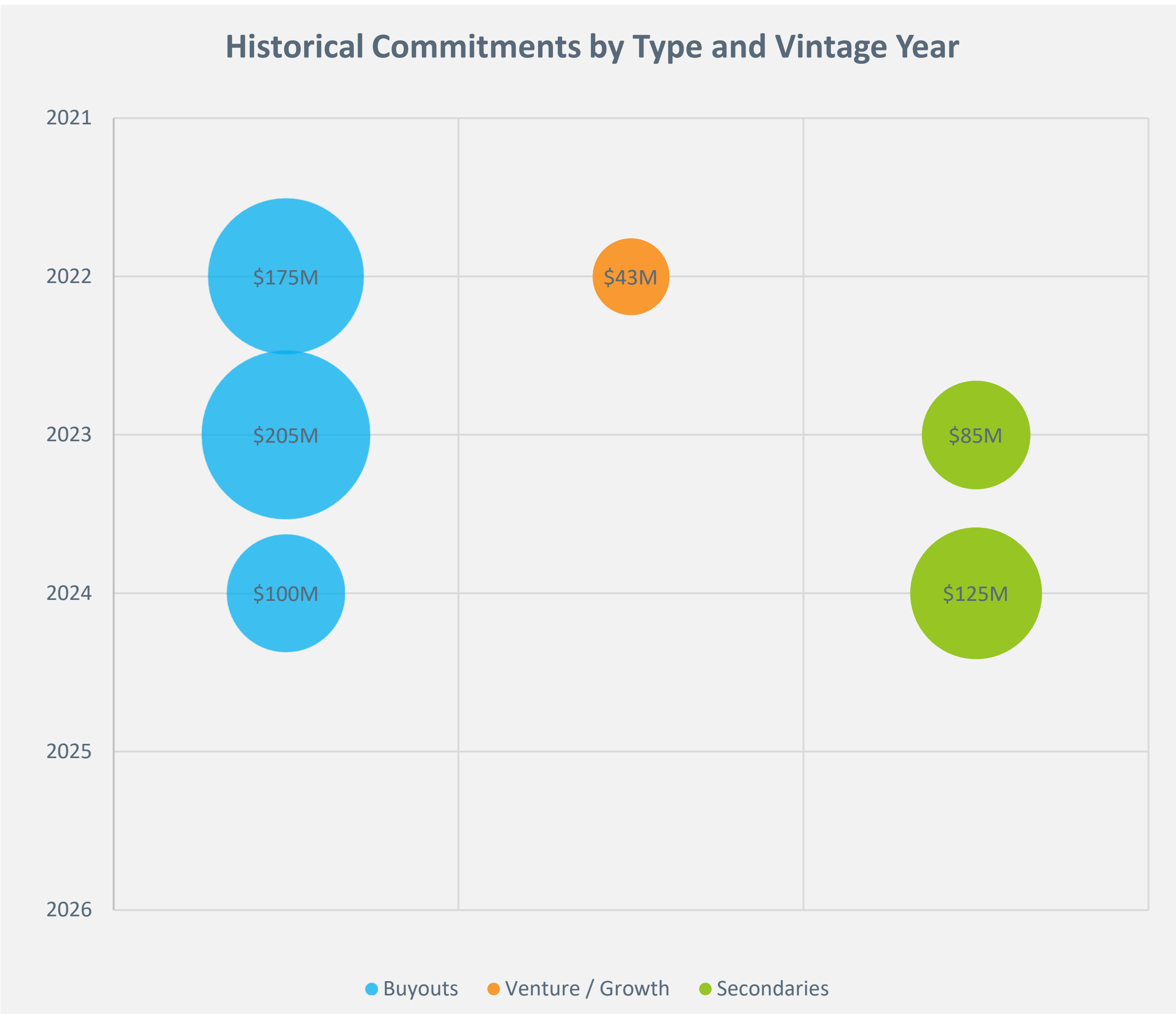
Ufenau VIII Asset Light, SLP ("Ufenau VIII" or the "Fund") is a private equity buyout fund managed by Ufenau Capital Partners AG ("Ufenau, "UCP", or the "Firm"). The Fund is targeting EUR 1.65 billion in limited partner commitments and will invest in approximately 14 to 17 platform companies to construct a portfolio of lower middle-market, asset-light service businesses across the DACH region, Iberia, Benelux, the UK, and Poland. Ufenau VIII will be the fifth commingled fund in the same strategy that the Firm has invested in since 2010. Investing in this opportunity will provide clients access to a buyout strategy that offers exposure to the lower middle market in Europe, where smaller companies may provide a source of potential outperformance relative to strategies that target larger private market equity portfolio companies. Fund VIII will continue Ufenau's buy and build strategy, consolidating in fragmented industries through add-on acquisitions and driving operational improvements with the Firm's outsize operations team. The Fund will provide exposure to key European private equity markets. Based on the positive attributes of the Fund detailed in this memorandum, RVK recommends that the Wyoming State Treasurer's Office invest up to $100 million into Ufenau Fund VIII. The Fund expects to hold a final close in the second quarter of 2025.

Portfolio Context and Pacing Review

The private equity portfolio of the Wyoming State Treasurers' Office is currently guided by a strategic plan approved in 2022. This strategic plan was developed by Staff and RVK, incorporating feedback from the Investment Funds Committee, and takes into account market conditions, the relative attractiveness of each market segment, and each segment's fit with Wyoming's goals for the private equity portfolio. The figures below outline the 2022 strategic plan and capital deployment to date in the current plan.

As a reminder, RVK recommends evaluating and adjusting strategic plans every five years or when a substantial change in plan goals, constraints, or objectives occurs. This strategic plan, combined with the current annual pacing recommendation of $480 million, which RVK expects to revise each year, informs each year's recommendations and the forward calendar. RVK would also note that we believe both strategic plan allocations and annual pacing targets should be viewed as guidelines rather than strict rules. Individual vintage years are likely to diverge from the strategic plan significantly, as private equity strategies commonly fundraise in three or four year cycles and the quality of current opportunities will drive each individual vintage year's allocations, which RVK expects to approximate the strategic plan targets at the end of the five year period.

Based on the expected volume of commitments and RVK's research into private equity portfolio diversification, we would anticipate four to six commitments to private equity annually to achieve a well-diversified portfolio that allows for concentration in compelling investment strategies. As of February 2025, Wyoming has committed $480 million to buyout strategies, $43 million to venture capital and growth equity strategies, and $210 million to secondaries strategies since the approval of the current strategic plan in 2022. The following chart summarizes annual commitments by strategic plan segment.



The current recommendation for a $100 million commitment to Ufenau VIII would continue to support capital deployment in buyouts, the largest segment of the strategic plan. Additional 2025 commitments are expected in growth equity, secondaries, and buyouts. Staff and RVK also expect to present a custom fund of one vehicle to target investments in buyout and growth funds in the lower middle market, where the standard commitment size would prohibit a meaningful commitment.

Firm & Team

Ufenau Capital Partners AG is a Swiss-based private equity firm headquartered in Pfäffikon, Switzerland, specializing in asset-light service businesses. The Firm was founded in 2010, evolving from Constellation, a management consultancy established in 1992. Initially operating as a deal-by-deal investment platform, Ufenau transitioned to a closed-end fund model in 2011, raising its first institutional fund. Since then, the Firm has expanded from a single-office operation to 70 professionals across six offices located in Switzerland, Germany, and Spain. Today, Ufenau manages approximately EUR 3 billion in assets and has developed a strong investment track record across multiple economic cycles. Since inception, Ufenau has raised seven buyout funds and completed over 389 investments, including 39 platform investments and 350 add-ons. The Firm focuses on lower middle-market companies with scalable business models that align with its buy and build strategy. Ufenau is fully owned by its Partners, with Managing Partner Ralf Flore holding the majority stake (55.2%).

The Investment Committee for Ufenau VIII is composed of Managing Partner Ralf Flore and Partners Dieter Scheiff, Marinus Schmitt, and Andreas Joehle, who oversee investment strategy, risk management, and capital allocation. The investment team, which supports the Firm's investment strategies, consists of 43 professionals with over 250 years of combined private equity experience, covering investment sourcing, execution, and operational value creation. Ufenau maintains relationships with over 60 industry partners, providing proprietary deal flow, market intelligence, and strategic support for portfolio companies. Ufenau also partners with Sancovia Corporate Finance, an M&A advisory boutique, to enhance deal execution and integration.

The broader private equity platform is supported by fund operations, compliance, legal, and finance professionals, ensuring institutional-grade risk management and operational efficiency. The firm's investment professionals work closely with portfolio company management teams to implement operational enhancements, drive organic growth, and execute strategic add-on acquisitions.

Strategy & Process

Ufenau VIII will invest in a portfolio of Asset-Light service companies, primarily targeting buyout opportunities in the DACH (Deutschland/Confoederatio Helvetica, or Germany/Switzerland) region with selective pan-European exposure. The Fund expects to invest in approximately 14-17 companies, with individual commitments ranging from €10 million to €30 million. Ufenau VIII expects to invest over a three-year period, continuing the strategy of predecessor funds. The four most recent funds, Funds IV through VII, all have been positioned in the middle market of private equity buyouts with average enterprise values at entry of €14 million, €17 million, €55 million, and €31 million respectively. RVK approximately considers the middle market to consist of companies with between $15 million and $100 million of earnings. The buyouts have typically been done at lower prices than the broader market, with the average manager platform purchase multiple, calculated as enterprise value divided by EBITDA, for the past 5 years of 5.3x while the broader European market has a 5 year average of 12.7x per Preqin Pro. Ufenau VIII is expected to build a diversified portfolio similar to the previous funds in the series, which have primarily been held in business services. For Fund IV through VII, 61% of deals were done in this sector. The remainder were held in IT services and Healthcare services; along with a few one-off deals in digital marketing services, education & lifestyle, financial services, and nutritional supplements.

The investment process for Ufenau VIII focuses on a buy and build program that takes the form of one of two themes: buyouts and roll-ups. Buyouts entail a larger platform investment with the addition of a more limited number of add-ons through the fund's hold period. Ufenau categorizes roll-ups as entailing a smaller platform investment with the additional of larger amounts of add-ons throughout the hold period in order to reach critical mass. Add-ons, along with the platform investments, are sourced by both Ufenau and partner firm Sancovia Corporate Finance AG ("Sancovia"). Sancovia and Ufenau work closely together to identify promising sub-sectors and niche firms with strong and proven management teams to acquire. During this process, add-ons are also identified which would be good fits for the acquired platform. Once a platform has been purchased, the add-ons are purchased within a period of 24 to 60 months. For Funds V, VI, and VII; the total number of potential add-ons approached was over 5,000, with 1,443 of those reaching management/owner meetings, 524 reaching an offer or letter of intent, and the final acquisition of 350 add-ons. The next step of the process for the platform firm is that Ufenau creates and implements an M&A management function within each company in order to provide additional support in identifying and integrating the add-on acquisitions. Once integrated, the final step in the investment process involves the exit process. Planning for the exit starts prior to the initial investment and forms an integral part of the pre-agreed ownership agenda. Ufenau expects to hold most portfolio companies for four to six years.

Summary of Key Terms

Term & Investment Period	10 years with two one-year extensions at the GP's discretion 4-6 year investment period
Targeted Commitments	€1.65 billion, hard cap of €2.0 billion
General Partner Commitment	€75m - €100m
Management Fee	2%
Carried Interest & Preferred Return	20% until 2.5x net to LPs 30% after 2.5x net to LPs and minimum IRR of 13.0%, with 75/25 catch-up 8.00% preferred return with full catch-up
Key Person Provision	Activated when: Two or more of Ralf Flore (Founder), Marinus Schmitt (Founder), and Andrea Joehle (IC Member) AND Two or more of Joaquic Alcalde (Partner), Adrian Hess (Partner), and Richard Lustig (Partner) Fail to devote the substantial majority of their time to the Firm

Track Record

Ufenau's investment team has invested in 31 platform investments over the past 10 years primarily in the sectors of business and consumer services. This amounts to around 3 platform investments per year at a cost of around €82 million per year. Based on RVK's analysis, Ufenau has managed to increase EBITDA and revenues substantially between closing and exiting purchased platforms. The average revenue across Funds IV through VII increased from €32.9 million to €92.6 million during Ufenau's holding period while the average EBITDA increased from €4.8 million to €13.9 million as of December 31, 2024. Beyond these averages, the individual fund metrics have been attractive throughout the series. The table below contains a summary of relevant statistics by fund.

Historical Company Attributes – as of 09/30/2024									
Fund	**Year**	**Number of Platforms**	**Add-ons**	**Avg. Revenue (Entry) (€M)**	**Avg. Revenue (Current/Exit) (€M)**	**Avg. EBITDA (Entry) (€M)**	**Avg. EBITDA (Current/Exit) (€M)**	**Avg. Platform Multiple (Entry)**	**Avg. Platform Multiple (Current/Exit)**
Fund IV	2014	6	60	€36.6	€96.5	€3.3	€9.4	4.5x	9.2x
Fund V	2017	8	100	€18.3	€101.2	€3.4	€18.6	5.2x	11.4x
Fund VI	2019	9	98	€54.7	€130.2	€6.6	€16.6	5.9x	10.6x
Fund VII	2022	8	23	€20.2	€39.7	€5.4	€10.1	6.0x	9.6x

As of September 30, 2024, Ufenau's investment team have invested in 6 platforms for Fund IV (vintage year 2014) which resulted in a 27.2% net internal rate of return ("IRR") and a total value to paid-in ("TVPI") of 2.1x. Fund V, with a vintage year of 2017, has had 8 platforms invested in which resulted in a 39.0% net IRR and a TVPI of 3.2x. Fund VI, with a vintage year of 2019, has had 9 platforms invested in which resulted in a 20.5% net IRR and a TVPI of 1.7x. Fund VII, with a vintage year of 2022, has had 8 platforms invested in which resulted in a 34.0% net IRR and a TVPI of 1.5x. The rankings for these funds based on net IRR is first quartile with the exception of Fund VI which placed in the second quartile. As of November 2024, there have been 3 additional platforms added to Fund VII with a plan of adding a twelfth fund before finalizing the number of platforms.

The table below contains performance of the Firm's prior funds as of September 30, 2024.

Previous Fund Performance – as of 09/30/2024									
Fund	**Year**	**Commits (€M)**	**Called (%)**	**Realized (€M)**	**Unrealized (€M)**	**Net IRR**	**Net TVPI**	**Net DPI**	**Preqin Buyout IRR Quartile**
Fund IV	2014	€120	99.0	€184	€94	27.2%	2.1x	1.4x	1st
Fund V	2017	€227	98.4	€827	€81	39.0%	3.2x	2.9x	1st
Fund VI	2019	€460	81.0	€89	€529	20.5%	1.7x	0.2x	2nd
Fund VII	2022	€1,055	22.0	-	€344	34.0%	1.5x	N/A	1st

Recommendation, Merits, & Considerations

Based on the Fund's focus on the lower middle market, strong historical performance, and consistency of process, RVK recommends Wyoming State Treasurer's Office invest up to $100 million in Ufenau VIII. Relative to other buyout funds, Ufenau's prior funds have exhibited steady outperformance and deployed capital into lower middle market, where entry pricing and leverage are typically lower than in other segments of leveraged buyouts. RVK believes that the merits of a potential investment outweigh the concerns noted subsequently and that Ufenau VIII is a compelling opportunity.

Merits

- **Differentiated sourcing approach –** Rather than relying on auctions run by investment banks, Ufenau employs a direct outreach approach that leverages the Firm's outsized investment team and Sancovia, a lower middle market mergers and acquisitions service provider partly owned by Ufenau detailed previously. The result is more than 70 individuals who work to source lower middle market businesses relevant to Ufenau's asset light strategy. This direct outreach is driven by Ufenau's 'UCP Research Project' process, whereby the Firm's investment professionals develop investible theses to drive targeted outreach. Once an investment platform is located, Ufenau leverages the same processes with the Firm and at Sancovia to drive deal flow for the Firm's buy and build strategy, resulting in consistent deal flow that largely comes from channels outside of traditional auctions, where prices are often high due to competition.

- **Low entry price multiples** – Ufenau has repeatedly been able to purchase portfolio company platforms at below market prices, as shown in the figure below. Since 2016, Ufenau has purchased platform companies well below prevailing market prices in Europe. Lower purchase prices de-risk investments and provide greater upside, as companies growth and are sold via auctions at market prices. The figure below details Ufenau's entry multiples by year compared to broader market averages provided by Preqin Pro.

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024
Ufenau Platform Purchase Multiple (EV / EBITDA)	4.2	5.0	6.1	6.1	4.9	4.7	6.6	5.5	4.8
Europe Median Purchase Multiple	10.8	11.3	11.7	11.9	12.3	14.5	9.9	11.9	15.1

Source: Preqin Pro (2025).

RVK would note that the pricing multiples provided by Preqin Pro primarily represent the large end of the market due to data limitations and, given Ufenau primarily purchases platform and add-on companies at the smallest end of the private equity market, RVK would expect pricing multiples to be 2 to 3 turns higher for the larger, more diversified businesses in Preqin Pro's dataset. Even including this difference, RVK views Ufenau's entry multiples as below expected market pricing for similarly sized private equity companies and a indication of the effectiveness of the Firm's sourcing efforts.

- **Exposure to several major European private equity markets –** An investment in Ufenau VIII is expected to provide majority exposure to the German speaking regions of Europe, including Germany, Switzerland, Belgium, and Austria with more limited exposure to Spain, Portugal, the Nordics, and the United Kingdom. While many middle market private equity firms in Europe specialize by region, Ufenau's focus on buy and build rather than a specific sector or geography results in a fund series that has historically provided exposure to multiple major markets in Europe. This allows investors who access the Fund's diversified exposure to one of the world's major economic regions, reducing country-specific and idiosyncratic risk compared to more geographically concentrated European funds.

- **Low turnover –** Ufenau has exhibited low turnover over the last five years, with only two individuals leaving the Firm since 2020. Neither of these individuals were senior or managing partners at the Firm. Ufenau's senior investment personnel have been stable, guiding the Firm's investment processes and mid-level individuals over the last decade. The Firm's founders remain with the Firm and expect to continue investing for several additional funds beyond Fund VIII.

Considerations

- **Increase in fund size & growth of team –** Ufenau Capital Partners has grown from five individuals in January 2014 to 70 professionals as of December 31, 2024. This level of growth in personnel has been paralleled by a similar growth in fund size, with Ufenau's 2014 Fund IV raising 120 million Euros to Fund VIII's target of €1.65 billion with a €2.0 billion hard cap. RVK views the level of growth within the firm as transformational as Ufenau has expanded the number of investment professionals and offices. In general, RVK believes successful investment processes and pattern recognition are based on consistency of personnel and process, which can be strained by excessive growth. Additionally, large increases in the amount of capital raised can cause strategy drift, as firms exit the areas of the market where they were historically the most successful.

  Mitigating Factors: RVK reviewed the organizational transition, personnel growth, and transaction history in detail to understand Ufenau's ability to continue to invest in a similar manner as Funds IV through VII. Ultimately, a series of factors contribute to RVK's comfort with the continued likelihood of the Firm's investment process. First, Ufenau's founders remain as the heads of the Firm and represent the majority of the Firm's investment committee, continuing their roles as the arbiters of the investment process. Second, the Firm's strategy is likely more conducive to additional capital than other private equity strategies as deploying capital into add-ons to existing portfolio companies can mitigate some of the risks as private equity strategies move upmarket. Finally, in RVK's review of Ufenau's track record, the Firm continued to invest below market prices and in companies of similar scale in terms of revenue and earnings with a consistent volume of add-ons in recent funds.

- **Complex relationship with Sancovia Corporate Finance –** Ufenau has, since the Firm's first commingled fund in 2014, engaged the middle market mergers and acquisitions firm Sancovia Corporate Finance to assist the Firm in sourcing investments that align with Ufenau's research processes. Sancovia is led by a former Ufenau employee and Sancovia's senior professionals can invest in Ufenau's funds alongside the employees of Ufenau. Ufenau also accounts for more than 80% of Sancovia's revenue. In 2023, Ufenau acquired 25% of Sancovia's equity interests, with a veto over change of control at Sancovia. Though Ufenau has a measure of control over Sancovia, Ufenau is dependent on Sancovia for a crucial part of the Firm's sourcing efforts. RVK believes that, despite the benefits stemming from the Ufenau and Sancovia relationship, the entanglement does result in additional complexity and some risk that events impairing Sancovia could affect Ufenau's investment process.

Mitigating Factors: Ufenau's governance rights mitigate some risk, specifically that Sancovia would be sold and the new owners would expand the business in a way that affected Ufenau's sourcing efforts. To mitigate conflicts of interest, Sancovia's employees are not allowed to co-invest in specific deals of Ufenau's and access the general partner vehicle similar to other affiliates of Ufenau. While Ufenau's relationship with Sancovia is unique, RVK believes that the Firm has sufficient protection and incentives to continue with the current structure that has worked successfully for Funds IV through VII. Additionally, Sancovia primarily assists in sourcing investments for Ufenau, which implies that funds that are fully invested may have limited impact if Ufenau and Sancovia's relationship were to change in the future.

- **Number of active portfolio companies –** As a result of the Firm's growth and the COVID-19 pandemic delaying exits across private equity strategies, Ufenau has greater number of active portfolio companies relative to the Firm's history. Ufenau currently has 25 active portfolio companies, compared to 15 in 2020 and 10 in 2018. Though the Firm has grown to accommodate additional investments, senior professional time sourcing and conducting due diligence can be limited if a large existing portfolio necessitates attention from the most experienced professionals within the Firm. The Firm plans to invest in approximately five portfolio companies per year, which would continue to increase the number of active portfolio companies relative to recent years.

Mitigating Factors: Ufenau plans to exit five portfolio companies in 2025 with additional exits planned for 2026. The Firm forecasts that the number of active portfolio companies will stabilize between 18 and 22 over the next several years. In discussions with senior management, RVK reviewed the amount of time spent on active portfolio companies, capacity for new investments, and the growth of the team. RVK's conclusion is that, though risk remains Ufenau will need to slow the investment pace of Fund VIII to avoid overburdening portfolio improvement resources and the Firm's senior professionals, the Firm's strategy has always been personnel intensive and the investment process and structure of the Firm's investment team are designed to mitigate the risk to the time of senior professionals.