

October 2020

ASI Hark III

Overview

Aberdeen Standard Investments (“ASI”) is raising the third fund for Hark Capital, ASI Hark Capital III (“ASI Hark III”). ASI Hark III is targeting a 11-12% net IRR¹ and 4-6% recurring cash yield by making loans (“NAV-based loans”) with high asset coverage backed by the portfolios of private equity, venture capital or family office funds (“Financial Sponsors”). Fund III will be a continuation of the same investment team, strategy and Investment Committee as Funds I and II. The target fund size is \$300m with a \$400m hard cap. ASI Hark III held its first close in Q1 2020.

Why invest in NAV-based loans?

Providing loans to the portfolio companies of Financial Sponsors can possess a number of key attractions:

- Continued adoption of NAV-based loans in the market, as many funds near or past end of investment period and have portfolio companies requiring capital
- High Asset Coverage: 4 to 7+x target asset coverage covenant levels from Financial Sponsors
- Diversity of portfolio: requirement of a minimum number of portfolio companies
- Compelling relative value: 11-12% target IRR with 4-6% target annual cash yield¹
- Floating rate assets, which mitigates duration risk

ASI Hark III key attractions

We believe that ASI Hark III’s track record, first mover advantage and niche positioning provides investors with a compelling investment opportunity and attractive potential returns, as summarised below:



For illustrative purposes only.

¹ Net internal rate of return i.e. after Hark fees and carried interest. Target returns are offered as opinion and are not referenced to past performance. Target returns are not guaranteed and actual events or results may differ materially. Target return was updated to 11-12% from 10% based upon a reassessment of market conditions. **PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.** Performance is shown Net of all fees, carry, and expenses. Total Net IRR is a blended weighted average of 11.1% Net IRR for the main fund and 10.6% Net IRR for the parallel fund for Fund 1, and 15.7% Net IRR for the main fund and 11.8% Net IRR for the parallel fund for Fund 2 as of 30 Jun 20.

Predecessor funds’ track record

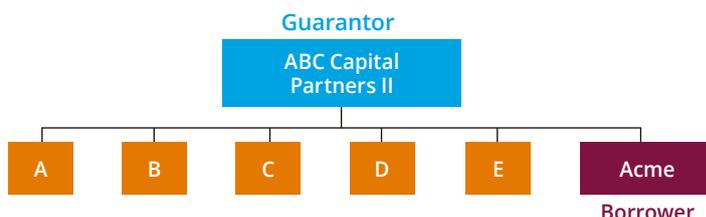
- Aggregate \$308 million of commitments across 2 prior funds
- \$520 million of deployed capital (including co-investment)
- 38 portfolio companies across 31 different sponsors plus 16 follow-on investments
- 22 realizations in Hark I and II with no losses
- **Total Net IRR¹ as of June 30, 2020 of 11.0% for Hark I (2013 vintage) and 13.7% for Hark II (2017 vintage)**

Strategy

Example of a NAV-Based Loan

Problem: Acme is a portfolio company of ABC Capital Partners II, a Financial Sponsor with 6 remaining portfolio companies and limited uncalled capital. Acme needs capital but lenders might not be willing to finance ‘equity risk’ or seek expensive equity-like returns.

Hark Solution: Provide a non-dilutive loan based on the fund’s NAV (the value of the Financial Sponsor’s portfolio) backed by a Sponsor fund-level guarantee. The portfolio company is the Borrower and the Guarantor is the fund LLC entity.



For illustrative purposes only.

When do Financial Sponsors access NAV-Based Loans?

Sponsors choose to partner with Hark under the following two broad scenarios:

- Defending the value of a portfolio company: supporting negative cash flow, deleveraging or refinancing capital structure
- Growing the value of a portfolio company: financing add-ons or growth capex

Key Terms

Targeted Net IRR:¹ 11-12% with 4-6% annual cash yield

Investment period: 4 years from final close

Harvest period: 7 years from initial close plus 1-year extension

Max Leverage: 100% of LP commitments (target 50% of LP commitments)

Management fee: 1.5% on deployed capital

Carried Interest: 15% carry over 8% hurdle (80% catch up)

Parallel Fund/Season and Sell available for tax-sensitive investors

Important information

FOR LIMITED PROFESSIONAL CLIENT USE ONLY – NOT FOR GENERAL DISTRIBUTION.

This document outlines a fund concept presently under internal consideration with the intention of obtaining preliminary feedback on such a product. The fund concept is not available for sale and any product details discussed are reflective of current market conditions and subject to change.

Investors should be aware that past performance is not a guide to future results. The value of investments, and the income from them, can go down and you may get back less than the amount invested. Alternative investments involve specific risks that may be greater than those associated with traditional investments; are not suitable for all clients; and intended for experienced and sophisticated investors who meet specific eligibility criteria and are willing to bear the high economic risks of such an investment. Investments of this type may engage in speculative investment practices; carry additional risk of loss, including possibility of partial or total loss of invested capital, due to the nature and volatility of the underlying investments; and are generally considered to be illiquid due to restrictive repurchase procedures. These investments may also involve different regulatory and reporting requirements, complex tax structures, and delays in distributing important tax information. Investors should always refer to the offering materials (private placement memorandum) for a complete description of the risks, fees, expenses and other important information associated with an investment in the Fund (concept).

The information provided herein is strictly for private circulation and information purposes only and should not be considered as an offer, or solicitation, to deal in any of the investments mentioned herein. Such an offer may only be made to qualified investors by means of delivery of a confidential private placement memorandum or other similar materials that contain a description of material terms relating to such investment or services, and should be thoroughly reviewed. In the case of any discrepancy among the contents of this document and such confidential private placement memorandum or other similar materials, such confidential private placement memorandum or other similar materials shall prevail. No regulatory body has approved or disapproved, passed on or endorsed the merits of the securities or services referenced herein.

Aberdeen Standard Investments, Inc. ("ASI") does not warrant the accuracy, adequacy or completeness of the information and materials contained in this document and expressly disclaims liability for errors or omissions in such information and materials.

Target returns are based on a number of assumptions related to the market factors relevant to the proposed investment strategy, including, but not limited to, interest rates, supply and demand trends, and the terms and costs of debt financing. There can be no guarantee that any of these assumptions will prove to be correct, that 'Hark III' will be successful in implementing its investment strategy or that target returns will be realised. Actual results can and may differ materially from the target return and other investment characteristics for the Fund under consideration.

An investment in the Fund Concept discussed herein and/or any vehicle managed or sponsored by ASI or any of its affiliates or subsidiaries is subject to a variety of risks and considerations as (or as will be) detailed in the relevant confidential private placement memorandum or other similar offering materials.

Strategy criteria are provided for illustrative purposes only and allocations and other characteristics discussed herein in regards to the Fund Concept are subject to change. References to transactions and investments are provided for informational purposes only.

Unless otherwise noted, all performance referenced for Funds managed or sponsored by ASI provided herein are net of all managers fees, carry, fund expenses and/or other charges an investor may incur. Performance information in connection with predecessor funds is provided for illustrative purposes only. These references are provided for informational purposes as means of illustrating ASI's investment capabilities and to provide information regarding relevant track record as relates to the go-forward strategy. Performance and other investment characteristics of these offerings should be not viewed as an indication of the performance or other future outcomes for 'Hark III (fund concept)' and/or any other ASI offering. Previous funds referenced are closed funds that are not available for investment and may not have been registered for sale in your jurisdiction.

The Hark Capital platform was acquired by Aberdeen Standard Investments in 2018 (the "Acquisition"). Doug Cruikshank, Rafael Castro and Rich Davis have been part of the senior investment team of Hark Capital since before Hark I was raised. Collectively, Doug Cruikshank, Rafael Castro and Rich Davis, at all times have been, and remain, substantially responsible for the sourcing, diligence, structuring, negotiation and monitoring of the investments of the Hark Capital funds. For investments prior to the Acquisition, final approval was given by unanimous consent of an Investment Committee consisting of Doug Cruikshank, Michael Korengold and Andy Paul, in the case of Hark I, and Doug Cruikshank, Michael Korengold and Mark Slusar, in the case of Hark II. For investments after the Acquisition, final approval is given by unanimous consent of an Investment Committee consisting of Doug Cruikshank, Rafael Castro, Rich Davis and Ian Shanks (with Peter McKellar as an alternate for Mr. Shanks). Due to personnel turnover, Ajay Chitkara has replaced Ian Shanks as a member of the investment committee for Funds II and III.

The views expressed in this document should not be construed as advice on how to construct a portfolio or whether to buy, retain or sell a particular investment. The information contained in the document is for exclusive use by professional customers / eligible counterparties (ECPs) and not the general public. The information is being given only to those persons who have received this document directly from ASI and must not be acted or relied upon by persons receiving a copy of this document other than directly from ASI. No part of this document may be copied or duplicated in any form or by any means or redistributed without the written consent of ASI. ASI reserves the right to make changes and corrections to its opinions expressed in this document at any time, without notice.

References to securities and/or companies are provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities discussed.

This material has been prepared solely for the information of the intended recipient and may not be reproduced, distributed or used for any other purpose. Any unauthorised disclosure, use or dissemination, either whole or partial, of this document is prohibited and this document is not to be reproduced, copied, made available to others.

In the United States, Aberdeen Standard Investments is the marketing name for the following affiliated, registered investment advisers: Aberdeen Standard Investments Inc., Aberdeen Asset Managers Ltd., Aberdeen Standard Investments Australia Ltd., Aberdeen Standard Investments (Asia) Ltd., Aberdeen Capital Management LLC, Aberdeen Standard Investments ETFs Advisors LLC and Standard Life Investments (Corporate Funds) Ltd.

Aberdeen Standard Investments ("ASI") offers a variety of products and services intended solely for investors from certain countries or regions. Your country of legal residence will determine the products or services that are available to you. Information provided herein should not be considered a solicitation or offering for sale of any investment product or service to any person in any jurisdiction where such solicitation or offer would be contrary to law or regulation within such jurisdiction or country.

United Kingdom (UK): Aberdeen Asset Managers Limited, registered in Scotland (SC108419) at 10 Queen's Terrace, Aberdeen, AB10 1XL. Standard Life Investments Limited registered in Scotland (SC123321) at 1 George Street, Edinburgh EH2 2LL. Both companies are authorised and regulated by the Financial Conduct Authority in the UK.

Issued by an entity of the Standard Life Aberdeen plc group of companies responsible for managing/advising the portfolio referred to herein.