Macroeconomic Commentary

What a difference a year makes. Market conditions during the first half of 2021 improved materially relative to the first half of 2020, a period marked by rising COVID-19 infections and lockdowns across much of the developed world. Economic growth in the U.S. continued its strong ascent during the first half of the year, appreciating 6.5% on an annualized basis during Q2, a stark contrast to the annualized decline of 33% experienced during Q2 2020. Similarly, the broader financial markets demonstrated strong gains through the first half of the year. Through H1 2021, the S&P 500, NASDAQ, and MSCI ex-US appreciated 14.4%, 12.5%, and 7.8%, respectively. General optimism further increased during Q2, as vaccination programs gained momentum across much of the developed world. Despite these reasons portending further positive momentum, a number of concerns have crept into the forefront, including increased market volatility related to potential inflation, uncertainty over the timing of tapering by the U.S. Fed, labor and supply chain issues, and surging COVID-19 cases given the highly contagious delta variant. The impact and weighting of these concerns on global economic activity will be monitored closely through the remainder of 2021.

With respect to private equity and venture capital, all manner of activity was robust throughout H1 2021. Across all market segments, fundraising reached new highs in H1 2021 as institutional investor appetite for venture capital and private equity continued to rise. The robust investment and exit activity that began in Q3 2020 has continued through H1 2021. Exit volume is on pace for a record-breaking year as venture capitalists and private equity practitioners continued to benefit from public market demand for new, growth-oriented private assets via IPOs. Finally, many portfolios demonstrated impressive quarter-over-quarter valuation appreciation during H1 2021, furthering a trend that began after the valuation nadir observed in Q1 2020.

U.S. Private Equity

Fundraising by U.S. private equity firms remained elevated during H1 2021 as 207 funds raised a combined $180 billion, which is on pace with the record-setting fundraising year of 2019. Overall, institutional investors' appetite for the asset class remained strong, a function of recent historical outperformance and decreased demand for yield-oriented products given the current low interest rate environment. According to Pitchbook, a majority of LPs have expressed interest in increasing their exposure to private equity in the near-term, setting the stage for another record-breaking fundraising year.

The fourth quarter of 2020 had the highest level of deal activity in the last decade, and the momentum continued into 2021. Propelled by a sustained economic recovery and the continued availability of attractive financing, U.S. private equity deal value surpassed $456 billion in H1 2021. This figure represented 64% of the total deal value of full-year 2020. IT and B2B services dominated the proportionate value of deals closed, at a combined total of 57% of aggregate deal value. Given the meaningful proportion of deals executed

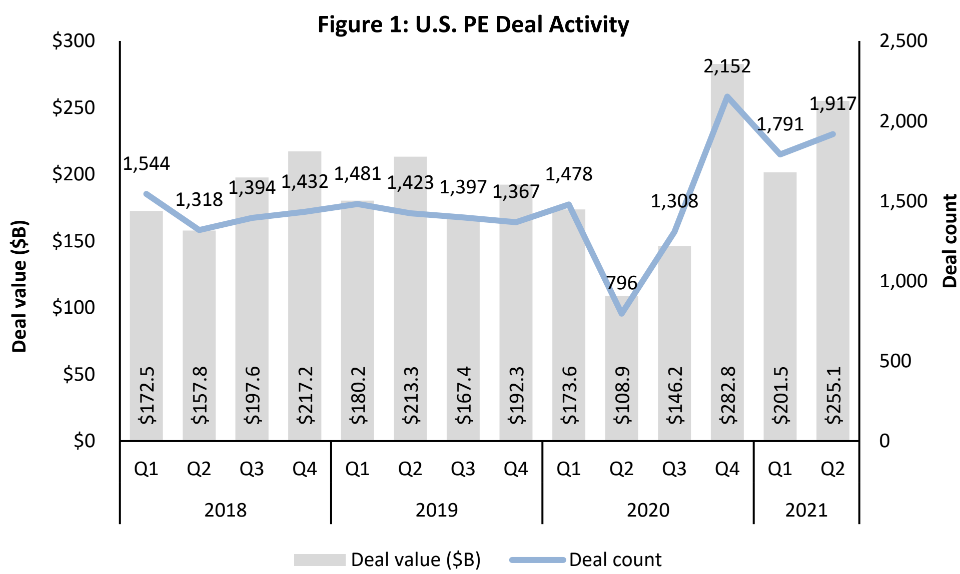

Figure 1 Data Source: PitchBook's 2021 Q2 US PE Breakdown; Q3 2020 – Q2 2021 includes estimated deal activity.

within this high-priced market segment, median U.S. buyout EV/EBITDA multiples remained elevated at approximately 13x. Going forward, the significant amount of dry powder in the market, estimated by Pitchbook to total over $700 billion in U.S. buyouts alone, suggests that private equity investment activity should remain at comparably elevated levels for the foreseeable future.

U.S. private equity-backed exits are also on track for a record year. Through H1 2021, the aggregate value of realizations (including estimated exits values) totaled $356 billion, which nearly matches full-year 2020 totals and surpasses 2019 levels by $33 million. The continued momentum of exit activity seen through the first half of 2021 was, in part, driven by the increased number and value of IPOs and SPAC mergers, as well as secondary buyouts, which totaled approximately 50% of exit value. Further, GP-led secondaries continued to gain momentum, offering general partners and limited partners alike another viable exit alternative.

European Private Equity

European private equity fundraising surged in the first half of 2021. Through H1 2021, approximately €60 billion in capital has been raised across Europe, far outpacing the €20 billion raised during the same period last year when fundraising was strained due to COVID-19. However, despite these elevated fundraising amounts, only 64 funds closed in the first half of the year, representing a nine-year fund closing low by number. This discrepancy highlights the trend of an increasingly smaller number of European private equity firms raising successively larger funds. This dynamic appears to be more pronounced in Europe than in other developed private equity markets, indicating a possible regional bias for re-ups and known entities over newer, potentially less proven managers.

Figure 2: Europe PE Fundraising Activity

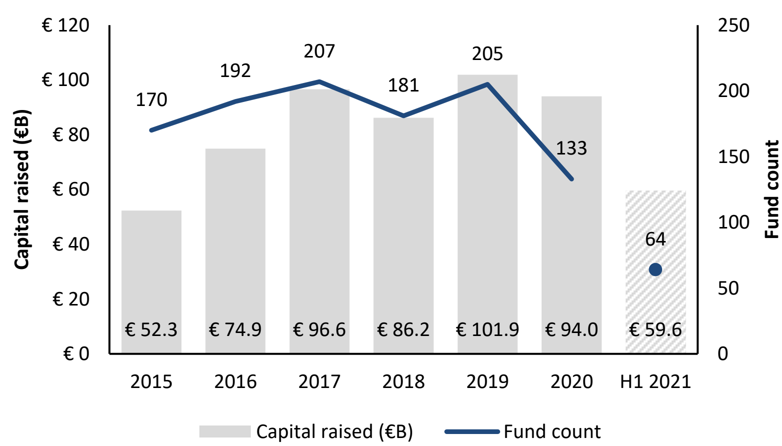

Figure 2 Data Source: Pitchbook's Q2 2021 European PE Breakdown.

European private equity investment activity roared back to life in H1 2021. During the period, 3,824 deals closed with an aggregate value of €342 billion, nearly matching the 3,971 deals closed in full-year 2020. The substantial increase in year-over-year deal activity can be attributed to the acceleration of Europe's economic recovery, continued ECB monetary stimulus, and significant amounts of private equity dry powder seeking new investments. Anecdotally, through the first half of 2021 Abbott has seen an increase in investment activity accompanied by accelerated fundraises by its European general partners, a trend expected to continue through the end of the year.

With respect to realizations, private equity-backed exit activity in Europe was notably elevated through the first half of 2021 and is on pace for a record year. Through H1 2021, European GPs exited 702 investments totaling €233 billion of exit value, surpassing 2020's full-year aggregated exit value of €200 billion. Looking ahead, exit activity during the second half of the year is projected to be equally strong as more Euro-zone countries continue or begin to open up from the government-mandated lockdowns.

Venture Capital

U.S. venture capital fundraising is on pace for a second consecutive record-setting year. H1 2021 fundraising reached $74 billion across 338 funds, surpassing the $43 billion across 148 funds raised during the same time period last year.

As noted in previous letters, larger, brand name venture capital funds continued to attract the vast majority of limited partner capital. As of June 30, 2021, 15 funds raised more than $1 billion dollars, accounting for nearly 50% of total capital raised during the first half of the year. Notably, venture capitalists raised more capital rapidly. Through the end of H2 2021, the time between fund raises averaged 2.6 years, while the increase in fund size averaged 210%. At the same time, first-time fundraising declined from the same period last year with only $3.6 billion raised across 67 funds.

New investment activity in Q2 2021 continued at a robust pace, with a second consecutive quarter of $75 billion deployed into portfolio companies. The $150 billion deployed in H1 2021 was more than double the COVID-19 impacted H1 2020, while the 7,058 reported financings closed represented an increase of only 16% year-over-year, further signaling a trend toward larger deals. Deal activity at all stages remained strong, although larger investments in later-stage rounds continued to be the main driver of deal volume. In H1 2021, $109 billion was invested in 2,564 later-stage financing rounds, a sizeable increase when compared to the $47 billion invested in 1,501 deals during H1 2020. Similarly, mega-rounds, defined as rounds sized at $100 million or greater have already surpassed full-year 2020 metrics with 385 mega-deals closed accounting for $85.5 billion in deal value. Many of these rounds are raised by companies on track for an IPO and have been led by investors with public market experience. As a result, non-traditional investors, such as mutual funds, hedge funds and corporate investors, have increasingly participated in pre-IPO financing rounds.

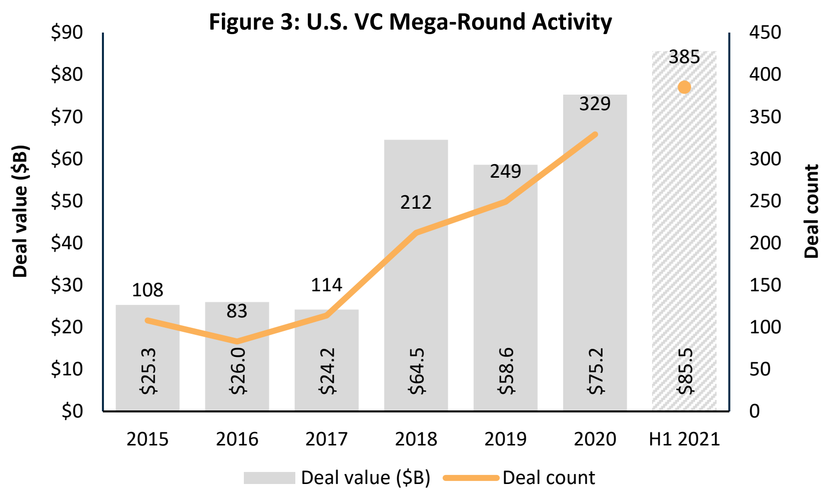

Figure 3 Data Source: Q2 2021 PitchBook-NVCA Venture Monitor

Like fundraising and deal activity, venture-backed exit activity remained strong through H1 2021. In Q2 2021, there were 448 venture-backed exits totaling $241 billion in value, marking the fourth consecutive quarter of exit value totaling more than $100 million. Through Q2, there were 883 venture-backed exits valued at a staggering $372 billion. The last 12 months of record-setting exit activity is a welcomed change to the sharp decline seen in H1 2020, the result of a sudden drop in the stock market and COVID-19 related uncertainty. Venture capitalists have also taken advantage of the rebound in the public markets as they seek to generate liquidity for limited partners. As in Q1 2021, IPOs continued to be the primary driver of increased exit activity in Q2 2021. Notably, 123 public listings in H1 2021 accounted for nearly $334 billion in value, a vast difference from the $23 billion of liquidity generated through IPOs during the same period last year. Some of these increases can be attributed to the SPAC trend, which has dramatically increased over the last 18 months. SPACs accounted for 34 of the public listings in H1 2021 compared to 33 in full-year 2020. However, interest in these vehicles has waned of late amid increased regulatory scrutiny and the mixed results for SPAC investors.

Secondaries

The first half of 2021 has been an unprecedented and record-setting period for the secondary market. H1 2021 secondary market volume of $48 billion represented a first half record, beating the previous record of $42 billion set in 2019. The robust first half was largely driven by (1) buyers' pent-up demand for LP portfolios as a means to add diversification attributes that complement GP-led transactions, (2) the continued growth and increased acceptance of GP-led opportunities, (3) significant secondary investor capital overhang and newly raised large funds by a number of players, and (4) the return of traditional sellers, many of whom delayed portfolio sales last year due to uncertainties from the pandemic. As noted in Abbott's Year End 2020 Market Letter, buyer and seller interests became more aligned; sellers benefitted from portfolio appreciation after Q2 2020, while buyers gained increased confidence in underlying company operating performance.

Figure 4: Transaction Volume by Year ($B)

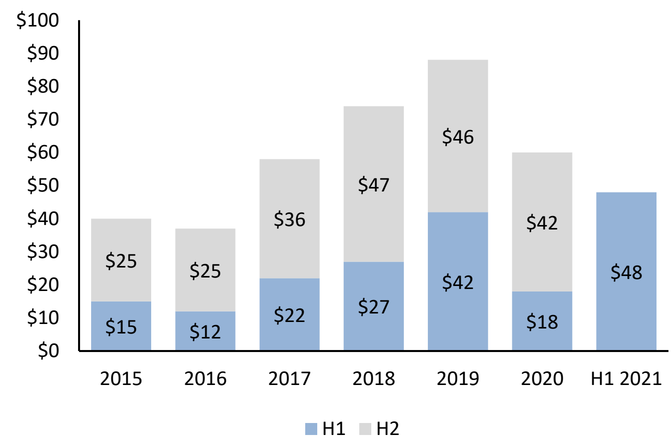

Figure 4 Data Source: Jefferies LLC, Global Secondary Market Review, July 2021

GP-led transactions continued to represent an outsized portion of the market, accounting for 60%, or $29 billion, of all secondary transactions during the first half of 2021. Moreover, at $13 billion, single asset continuation funds made up over 25% of total secondary market deal volume. According to Jeffries, such assets were on average approximately six years old, while some were as young as two to four years old. The continued adoption of these vehicles has provided sponsors with another viable exit alternative, while also reshaping the secondary market.

Secondary market pricing increased across the board in H1 2021. The average price at 90% of NAV for all strategies saw an increase of 400 basis points from year-end 2020 and represented a reversal of three consecutive years of pricing declines. The increase in pricing was driven by a 600 basis point increase for buyout-oriented opportunities, to an average of 96% of NAV, and an even more pronounced 900 basis points rebound for venture, to an average of 84%. The latter benefitted from a strong public market for technology companies, the continued deluge of IPOs and SPAC-led exits, as well as robust pre-IPO fundraising rounds. From a vintage year perspective, pricing for tail-end fund stakes, e.g., 2009 or older, priced at an average of 85% of NAV. These deals have likely seen increased investor demand given how they complement portfolios with significant exposure to concentrated, GP-led deals by providing at times favorable IRR dynamics and underlying company diversification.

Secondary Market Pricing (% of NAV)

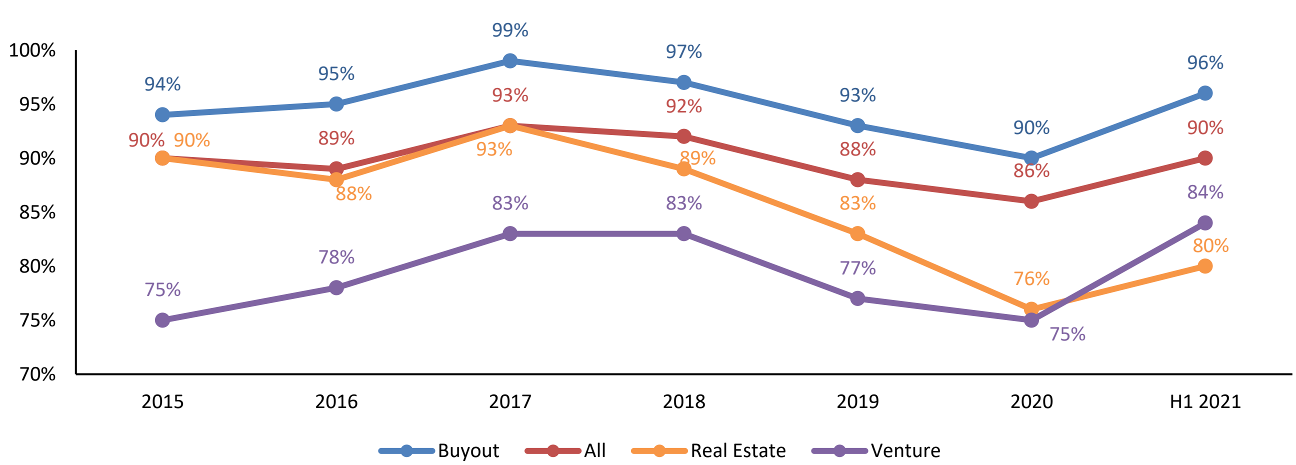

Figure 5 Data Source: Jefferies LLC, Global Secondary Market Review, July 2021

Outlook

The end of the first half of 2021 marked an impressive beginning to what has the potential to be a banner year for venture capital and private equity activity. Despite the continued spread of the delta variant, fears of inflation, and uncertainty surrounding global economic growth, venture capital and private equity investment activity has shown no signs of abating. Transaction activity should remain consistent over the near future, as numerous general partners have commented on the significant backlog of transactions in process. Moreover, the significant amount of private equity dry powder available for investment should also be a driver of continued transaction activity. Despite apparent waning enthusiasm for SPACs, the public markets have largely remained receptive to venture- and private equity-backed company listings, with a number of IPOs scheduled in the near future. Additionally, significant cash and short-term investments on corporate balance sheets, which currently total over $6.8 trillion, may increase the number for strategic exits for private equity-backed companies. This is not to downplay the potential risks noted above, however, as market volatility has recently increased and little clarity is known regarding the true impact of the rapidly spreading delta variant on the global economy. Abbott will continue to monitor all market developments and looks forward to reporting back in subsequent market reviews.

SOURCES CONSULTED

With respect to macroeconomic commentary and outlook, material sourced through: www.wsj.com. Cambon, Sarah Chaney, 2021, July 30, "U.S. Economy Grew Beyond its 2019 Level," *Wall Street Journal*. Hirtenstein, Anna, 2021, August 17, "Companies Hold Tight to their Piles of Cash," *Wall Street Journal*.
With respect to private equity information, material sourced through: PitchBook's Q2 2021 US PE Breakdown. PitchBook's Q2 2020 US PE Breakdown. PitchBook's Q1 2021 European PE Breakdown. PitchBook's Q1 2020 European PE Breakdown.
With respect to venture capital information, material sourced through: Q2 2021 PitchBook-NVCA Venture Monitor. Q2 2020 PitchBook-NVCA Venture Monitor.
With respect to secondary investment information, material sourced through: Jeffries: Global Market Secondaries Review – July 2021.

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Coronavirus Outbreak Risks. The recent global outbreak of the 2019 novel coronavirus ("COVID-19"), together with resulting voluntary and U.S. federal and state and non-U.S. governmental actions, including, without limitation, mandatory business closures, public gathering limitations, restrictions on travel and quarantines, has meaningfully disrupted the global economy and markets. Although the long-term economic fallout of COVID-19 is difficult to predict, it has and is expected to continue to have ongoing material adverse effects across many, if not all, aspects of the regional, national and global economies. In particular, the COVID-19 outbreak has already, and will continue to, adversely affect many private equity investments and many of the industries in which private equity managers operate. The ability to operate effectively, including the ability of personnel or service providers and other contractors to function, communicate and travel to the extent necessary to carry out investment strategies and objectives and business, has been, and will continue to be, impaired. Markets are experiencing very high levels of volatility and generally stressed conditions. Businesses across the United States and the world, and across most sectors, are experiencing significant challenges to their revenues and business, which could make it difficult for businesses to continue as a going concern. Unemployment is likely to rise significantly and reduced revenues may reduce profits or lead to losses. Many governments--federal, state, local, and non-United States--have imposed limitations on businesses and intervened in markets in an effort to ensure they continue to function. It is unclear how long these conditions will continue and, the longer these conditions continue, the risk of a long term adverse effect increases. The extent of COVID-19's impact will depend on many factors, including the ultimate duration and scope of the public health emergency and the restrictive countermeasures being undertaken, as well as the effectiveness of other governmental, legislative and financial and monetary policy interventions designed to mitigate the crisis and address its negative externalities, all of which are evolving rapidly and may have unpredictable results. Even if and as the spread of the COVID-19 virus itself is substantially contained and economies are able to "re-open", it will be difficult to assess what the longer-term impacts of an extended period of unprecedented economic dislocation and disruption will be on future macro-and micro- economic developments, the health of certain industries and businesses, and commercial and consumer behavior.