



Northleaf
Capital Partners

The Benefits of Private Markets Strategies

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CONFIDENTIAL

Private markets strategies should be a part of a well-diversified institutional investment program

A well-established asset class...

- Leading institutional investors continue to increase their exposure to private markets investments

...that offers the potential for long-term outperformance...

- Private equity has consistently outperformed public equity markets over the long term

...and significant diversification/downside protection...

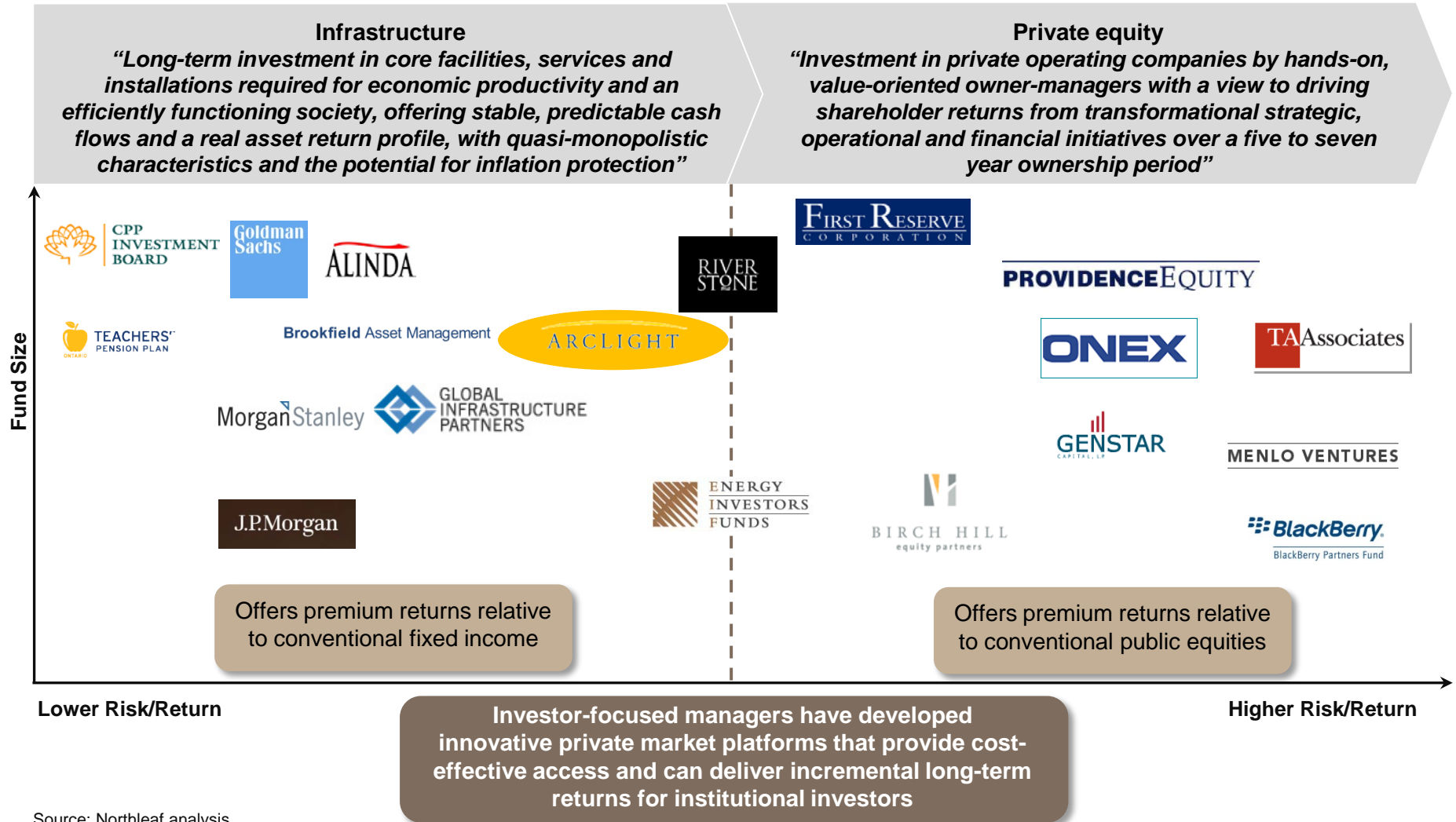
- A developed program can provide diversification benefits, particularly in periods of broad market/economic stress

...when implemented through a professional investment program

- A professionally managed program can assist with identifying, accessing and managing a portfolio of managers who create long-term value

Private markets investments offer attractive, return enhancing benefits to a well-diversified portfolio

ILLUSTRATIVE



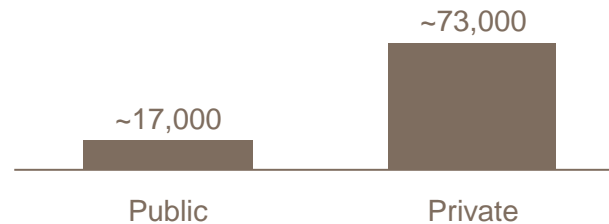
Source: Northleaf analysis

Private equity is an established asset class that provides access to the value creation that is taking place outside of the public markets

“Private equity” encompasses a range of equity and equity-related investments in privately held operating companies

Private companies represent more than 80% of all US companies with greater than \$10M in revenues...

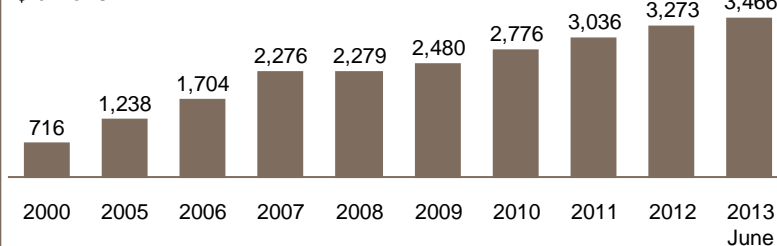
Number of US companies with revenues >\$10MM
Count



Source: Dun & Bradstreet, US Chamber of Commerce

... and private equity is a growing asset class among sophisticated investors...

Private equity assets under management
\$ billions

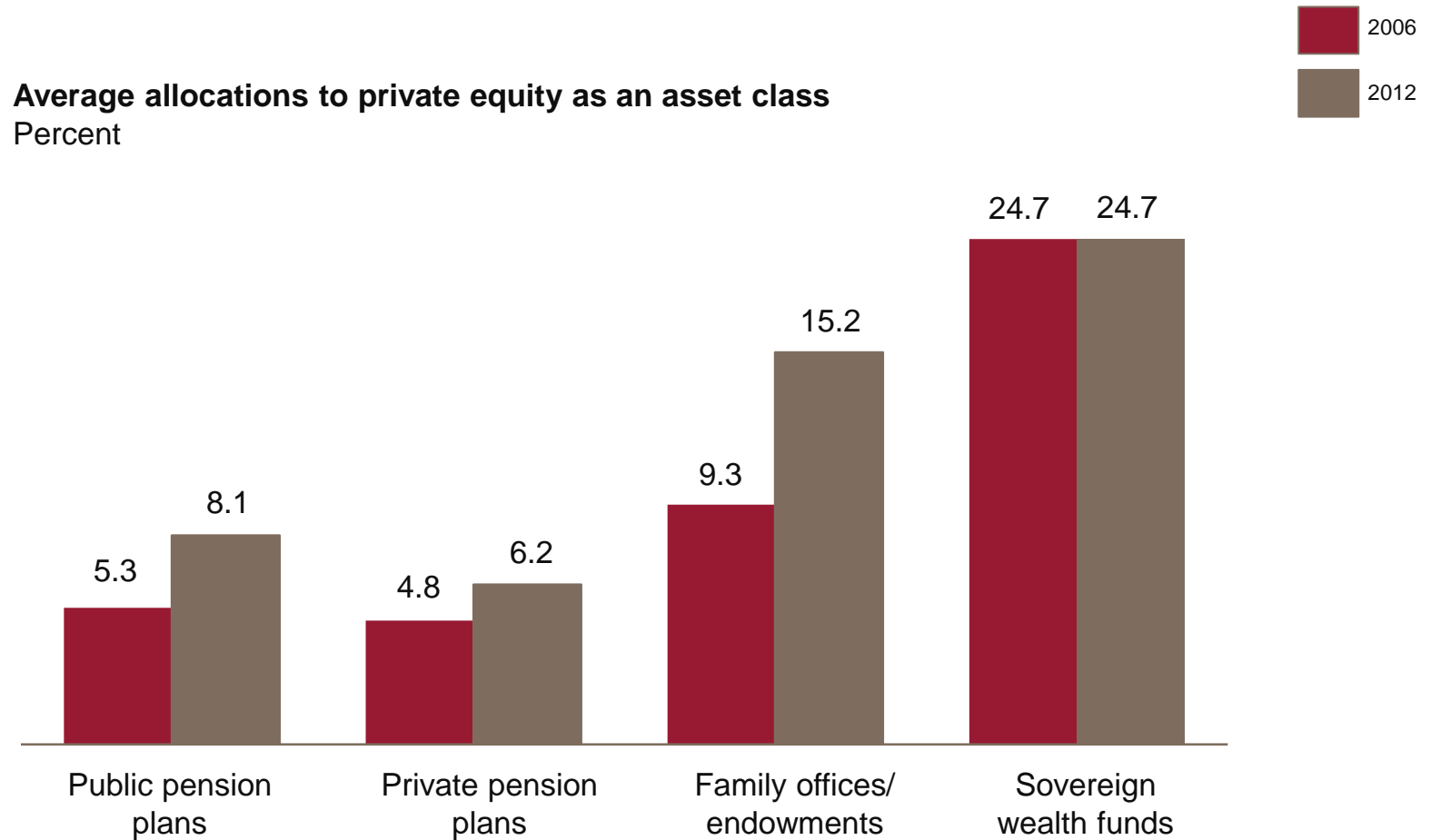


Source: Preqin

...seeking to enhance investment returns relative to conventional public market investments

- Historically, private equity investments have delivered outperformance over the long term
- Investors typically target a 300-500 bps premium over public equity returns

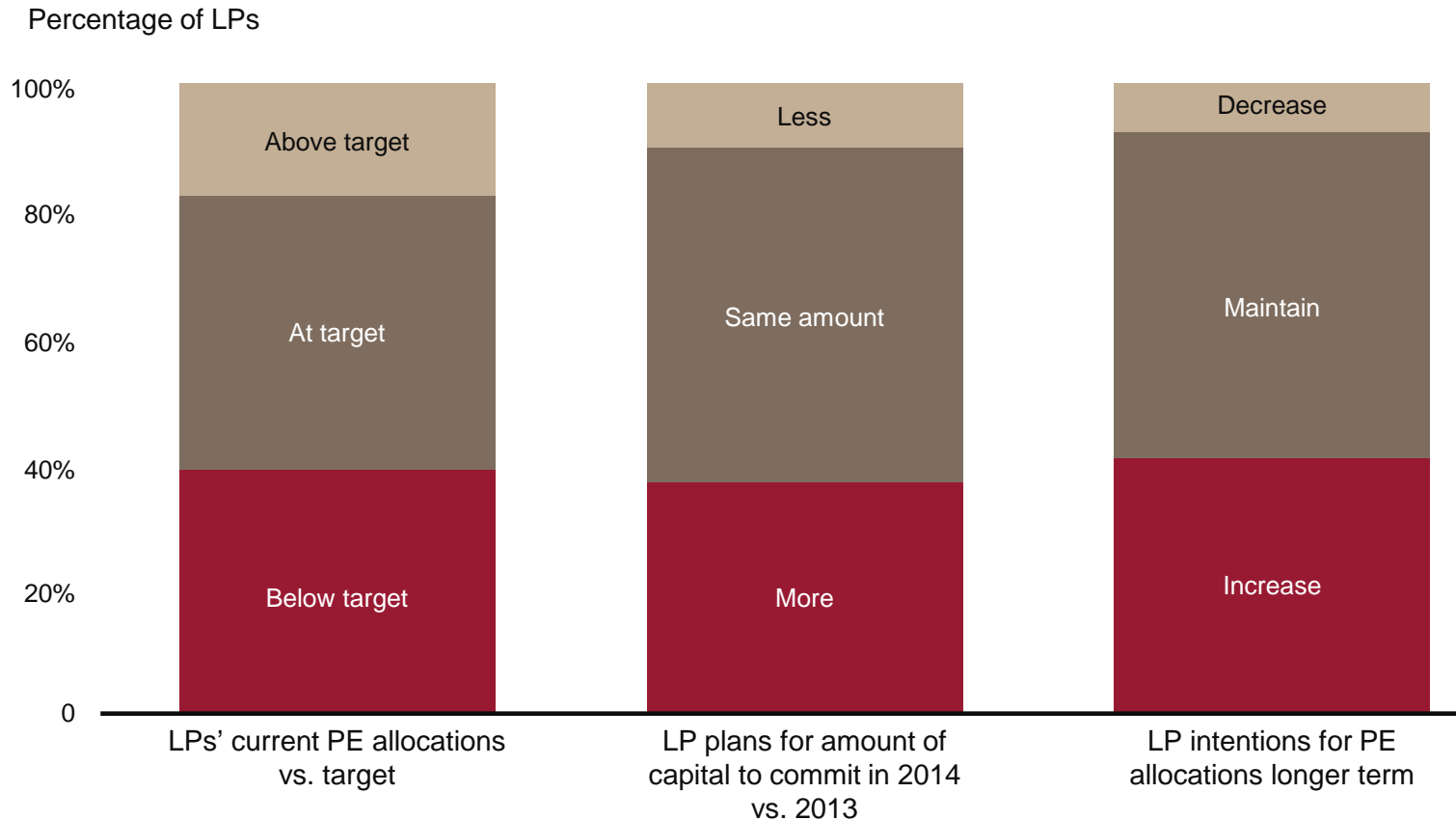
Institutional investors around the world have been increasing their allocations to private equity...



Source: London Business School; Collier Institute of Private Equity (January, 2014)

...and are expected to grow their allocations further in the current market environment

LPs plan to commit more capital and raise their PE allocation in 2014 and beyond



Source: Prequin Investors Survey (December 2013)

Long-term private equity programs demonstrate the attractive return potential of the asset class

Key success factors

- Rigorous due diligence to identify managers who build better businesses
- Sustainable value in core relationships
- Proactive identification of emerging managers
- Consistent investment across vintage years

Northleaf Global Program – Horizon IRR (%)

Period ended December 31, 2013

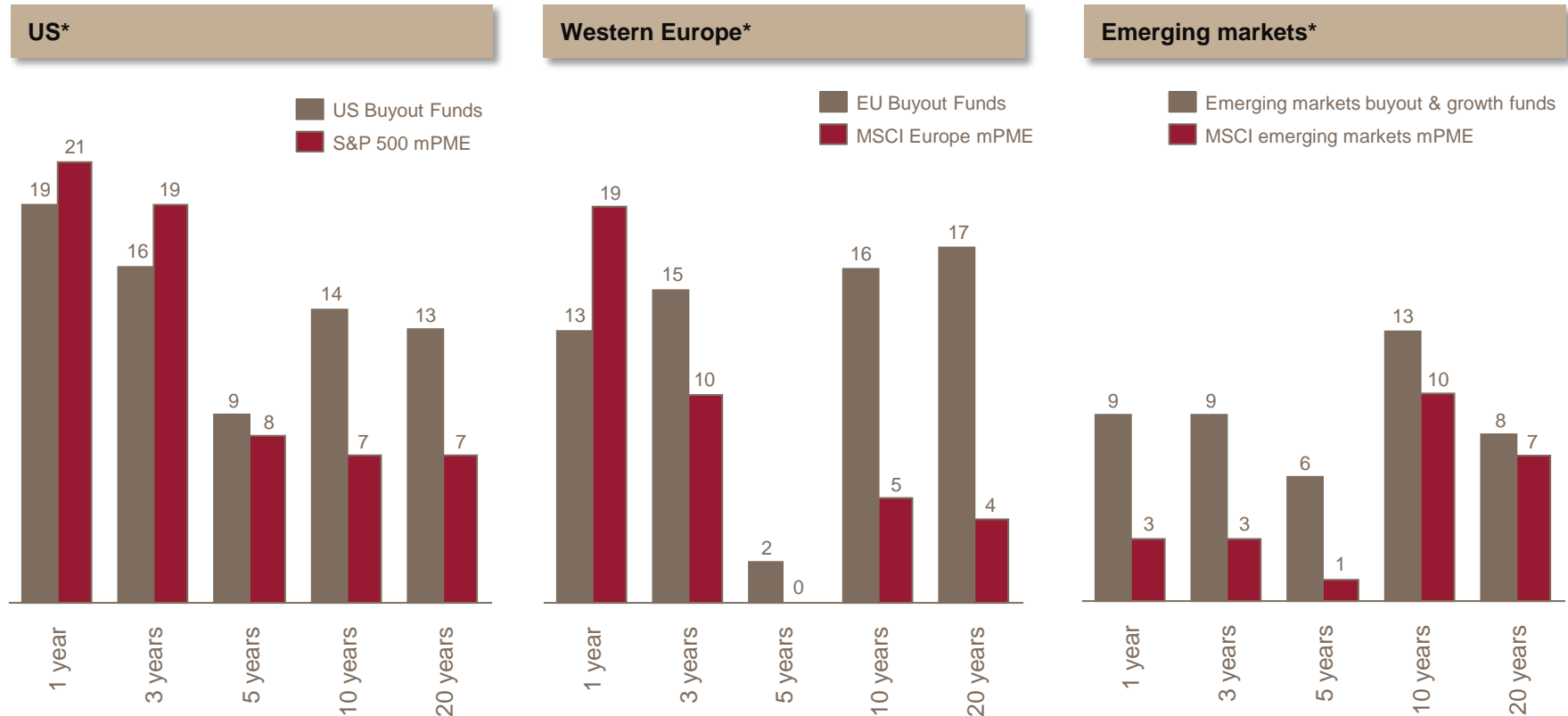
	Years				
	3	5	10	15	20
Northleaf Investments¹	14.3	15.0	14.1	17.3	19.6
Venture Economics – All Private Equity Index²	9.7	10.6	9.4	9.3	11.2
MSCI World³	12.1	15.7	7.5	4.8	7.6

1 The internal rate of return ("IRR") is an annualized money-weighted return calculated using periodic cash flows and end of holding period valuations. Performance of the Northleaf Global Program is measured after all fees, expenses and carried interest of underlying fund investments but before fees, expenses and carried interest of Northleaf. The Northleaf Global Program includes all fund investments and direct co-investments made by Northleaf's global funds and discretionary global custom mandates, including the discretionary TD Capital legacy fund investments and direct co-investments made from 1969 until the launch of TD Capital/Northleaf's first global fund in 2002. The Northleaf Global Program excludes investments made by Northleaf's custom mandates with specific geographic restrictions (Northleaf's Canada-focused custom programs, Ontario Venture Capital Fund and Northleaf Venture Catalyst Fund) and non-discretionary TD Bank proprietary/relationship investments administered by Northleaf. If such investments were included, the 20-year IRR would be 15.3%.

2 Source for Private Equity Benchmark Returns: Thomson Reuters VentureXpert: Pooled Horizon Returns Reports and Cumulative Returns Reports ran on May 5, 2014 for the All Regions Primary Market as at December 31, 2013, all in USD. Database last updated on May 3, 2014. VentureXpert data is continuously updated and is therefore subject to change.

3 Source for public market returns: Capital IQ, Bloomberg, Northleaf Capital Partners analysis. Total returns for MSCI World Index figures assume dividends are reinvested into the index. These returns do not reflect the cash flows used to calculate the Northleaf returns and accordingly a direct comparison may not be meaningful. The investment strategy of the MSCI World Index differs from the strategy pursued by the Northleaf Global Program.

Private equity has consistently outperformed public equity markets over the long-term around the world...



- End-to-end pooled IRR (as of June 2013)

Source: Cambridge Associates; Bain & Company.

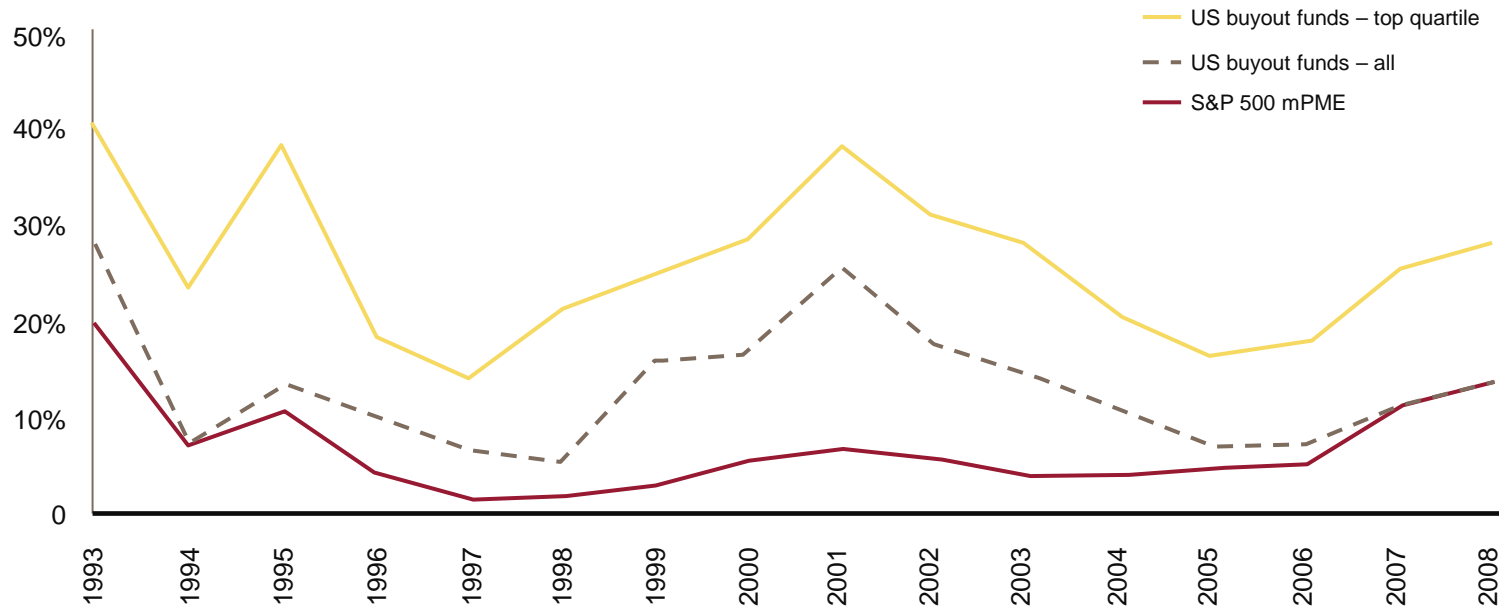
Notes – The Cambridge Associates mPME is a proprietary private-to-public comparison methodology that evaluates what performance would have been had the dollars invested in private equity been invested in public markets instead; the public index's shares are purchased and sold according to the private equity fund cash-flow schedule

...and the performance achieved by top quartile funds is both significant and durable

All US buyout fund vintages since 1993 have matched or beat public markets

Since inception pooled net IRR by vintage year (US buyout funds, as of June 2013)

Percent

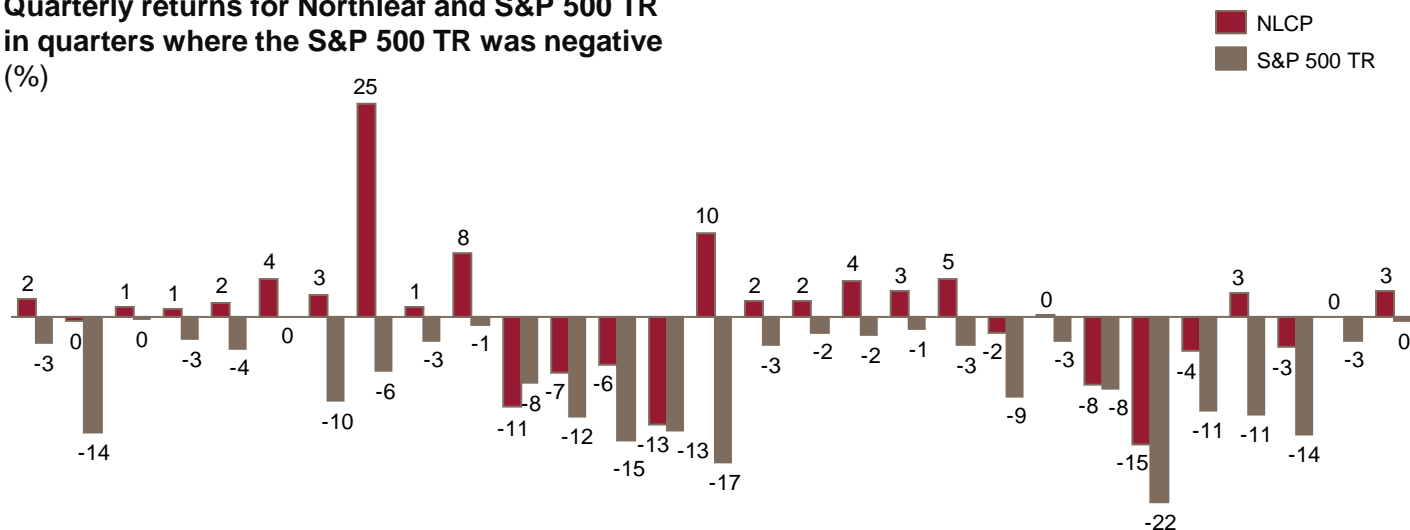


Note: vintages after 2005 have limited number of realizations, and returns largely reflect valuations of unrealized assets; vintages after 2008 are excluded because they have few investments and almost no realizations

Source: Cambridge Associates

Moreover, a professionally managed private equity program can provide diversification benefits relative to public equities, particularly in periods of broad market/economic stress

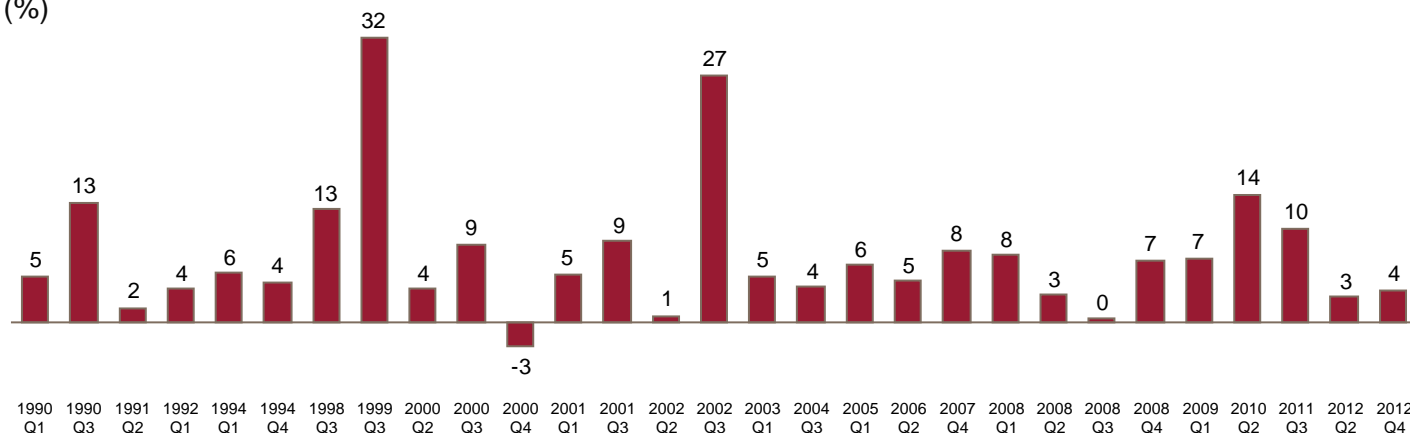
Quarterly returns for Northleaf and S&P 500 TR in quarters where the S&P 500 TR was negative (%)



NORTHLEAF EXAMPLE

- Northleaf's Global Private Equity Program has provided diversification benefits when investors need it most – offering significant downside protection in challenging market conditions
- In quarters where the index was negative, the Northleaf program delivered a return in that quarter that was, on average, 7.4% higher than the S&P 500 and 8.2% higher than the MSCI World

Performance differential between Northleaf and S&P 500 TR in quarters where the S&P 500 TR was negative (%)



The structural advantages of the private equity model have combined to produce a consistent premium relative to investments in publicly listed companies

Direct and active ownership of private companies

- Investors drive significant changes in company strategy, operations and senior management teams to build shareholder value

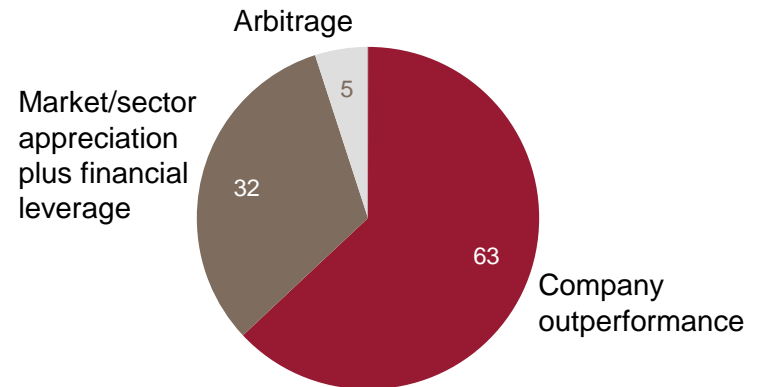
Involved boards and strong alignment of interests

- “100-Day Plans” result in focused and coordinated business-building efforts
- Incentives are shared between management and investors and based on realized long-term results

Reliable funding model

- Managers have secure sources of capital to shore-up existing portfolio companies and take advantage of attractive buying opportunities in challenging market conditions

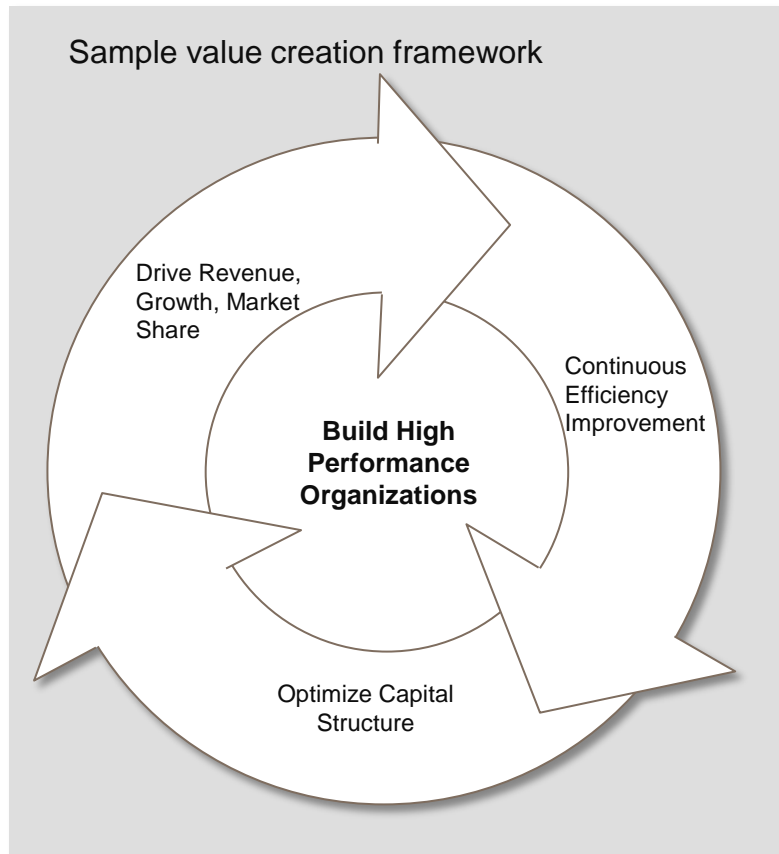
Primary source of private equity value creation Percent



Source: McKinsey & Company

Investors can benefit by accessing fund managers who create long-term value by working with company management on day-to-day operating/business building initiatives

Northleaf targets managers who play a direct and active role in managing their portfolio companies...



...and has seen a number of recent examples of value added business building initiatives in companies across our portfolio

Fund Manager

Portfolio company



The private equity funding model is characterized by the availability of secure sources of capital, a key advantage relative to public equities

Reliable, patient sources of capital...

- 10 year committed capital
- No redemption risk
- No fund-level leverage; no margin calls

...enable a buy & hold strategy...

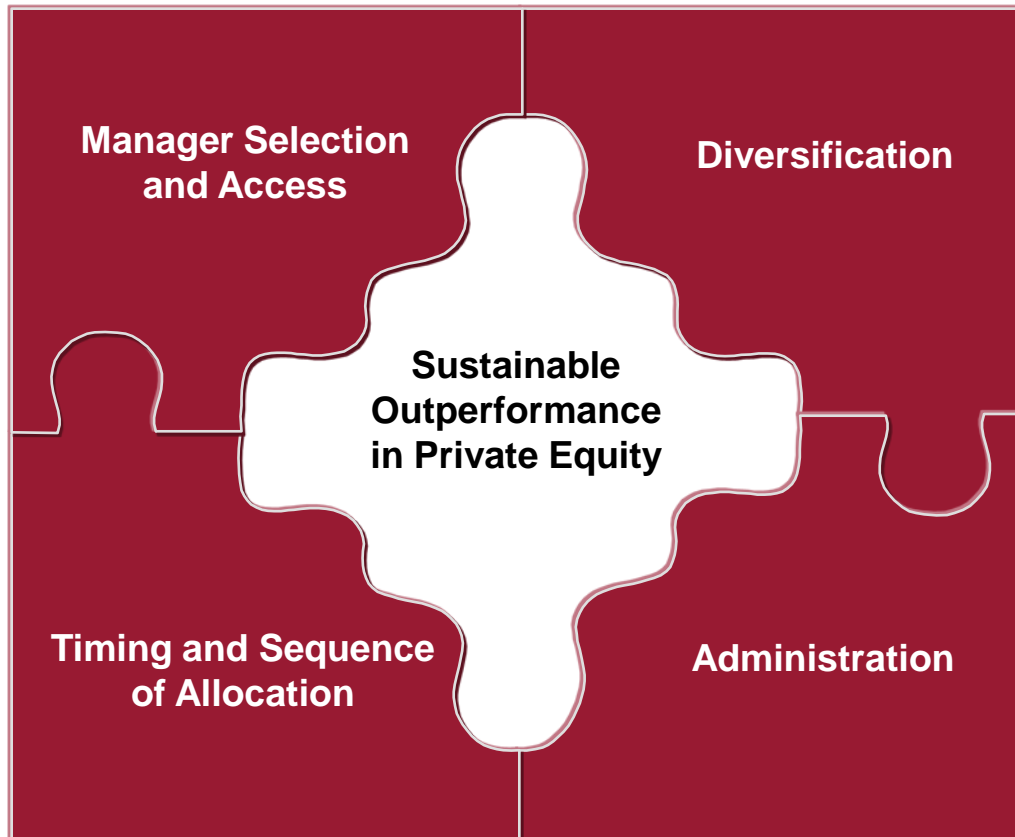
- 5-7 year investment horizon
- Insulated from short-term focus of public markets quarterly earnings reports
- Ability to make transformational changes despite potential for negative impact on short-term earnings

...and optimal, longer-term capital allocation decisions

- Capital available in times of crisis to:
 - Invest in growth initiatives
 - Shore up balance sheets
 - Repurchase debt on attractive terms
 - Make accretive add-on acquisitions
- Control/influence positions enable control of timing and manner of exit

While attractive as an asset class, successful implementation is the key to benefitting from the potential for sustainable outperformance

Key success factors in private equity



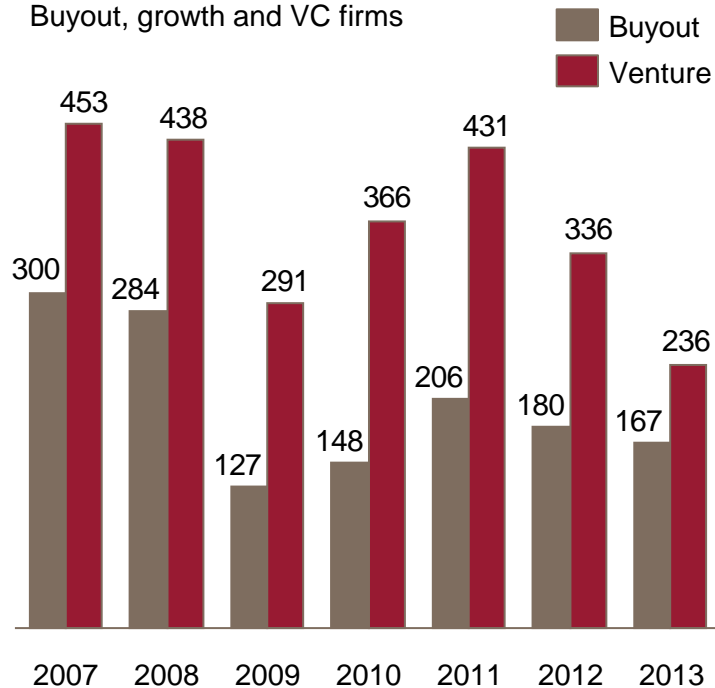
Successful participation in private equity requires that each of these key factors be considered and applied in building out a long-term investment program

Top-quartile manager identification and access is critical to a successful long-term investment program

Large number of private equity funds in the market place...

Number of private equity funds raised by vintage year - global

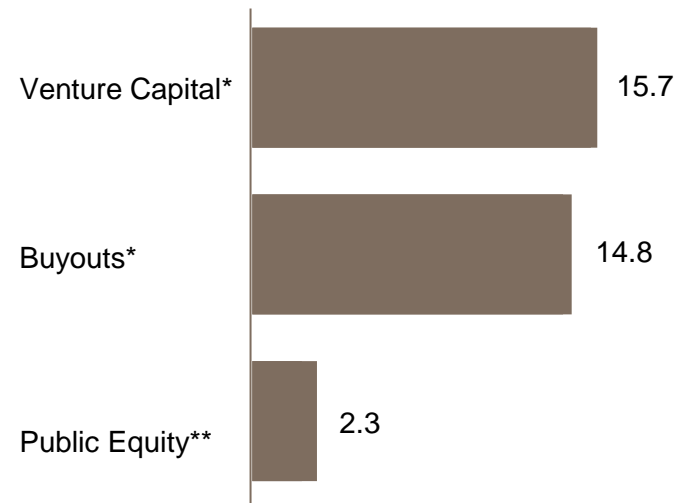
Buyout, growth and VC firms



Source: Thomson Reuters

... and wide dispersion in returns makes selection of top performers imperative

Percentage point spread between top and bottom quartile performance, 1996-2013

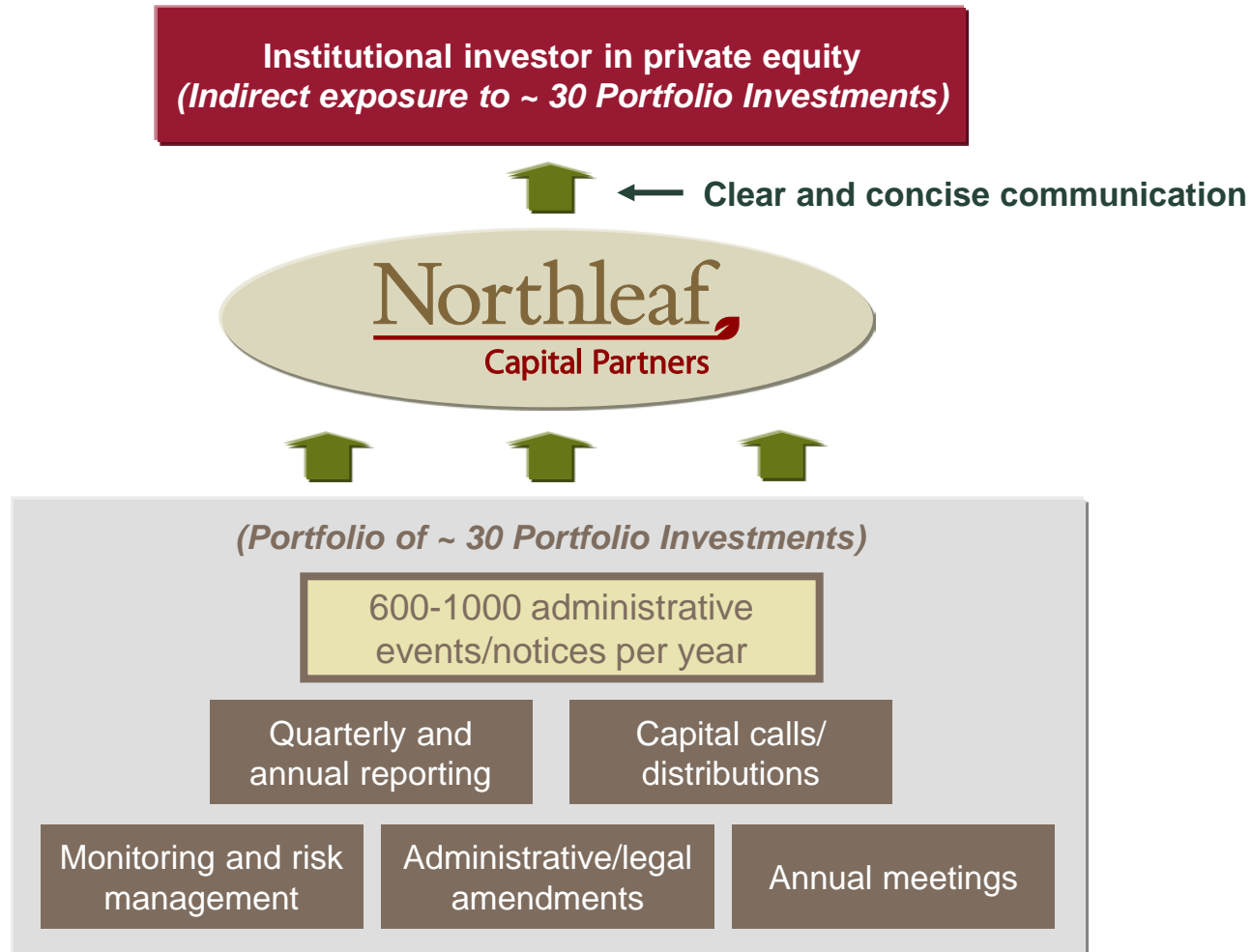


* Source: Thomson Reuters Cumulative Returns Report for United States Primary Market, fund vintage years 1995 through 2012 as of Sept 30, 2013

** Source: eVestment Alliance

Note: Private equity returns are calculated as internal rates of return ("IRR"), while those for the public markets are calculated as time-weighted rates of return. Direct comparisons are therefore not possible

Once a program is out in place, it needs to be managed and monitored – which can be administratively burdensome



The benefits of private equity markets strategies are clear

Private markets strategies should be part of any well-diversified institutional investment program

- A well-established asset class
- The potential for long-term outperformance
- Significant diversification and downside protection benefits

A professionally managed private markets investment program can add real value to any institutional portfolio

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