Hamilton Lane

Hamilton Lane Private Assets Fund Q2 2022 Update

With William Bannard, Vice President

Hello and welcome to the quarterly update for the Private Assets Fund, or PAF, Hamilton Lane's offering in the 40 Act registered evergreen fund space. My name is William Bannard, Vice President on Evergreen Portfolio Management, and today we'll spend a few minutes talking about what happened in the second quarter, both in the Fund and the broader private markets.

But, before we start, let's acknowledge the elephant in the room: the public markets in Q2 were a bumpy ride. Domestic equities – down over -16%, including down -8% in both April and June; European equities – down -15%; high yield bonds – down -10%. These periods of high volatility are when investors hope to look to the private markets for a kinder experience and broad outperformance. The Private Assets Fund delivered on both, with an overall positive return for the quarter of 0.32% and a maximum monthly loss of only -1.30%. So where does that bring PAF year to date and since inception? Since the start of 2022: a return just north of zero; since inception: an annualized return of over 17%. So hypothetically speaking, that $100 that you invested with us in late 2020 is now worth $133 dollars, vs. a hypothetical $100 investment in the S&P 500 Index which would have only grown to $108 in that time.

Quarterly Performance Drivers

All this raises the question – why has the Fund been flat and not down this quarter? Or let's be a bit more skeptical: have we just not marked assets down yet? Is this that famous "PE lag," and we're about to see our returns get hit hard over the next few months, right when publics might be poised to rebound? Well, let's turn to the data and examine some details on our valuations.

Over the past three months, the Fund has marked down 59% of our investments. Compare that to only marking up 27% percent of investments, with the remaining 14% holding roughly stable. Most of these markdowns are directly tied to the public markets. For example, on the secondary side, part of our valuation process includes estimating how much a private investment will move based on what the public markets have done since our last valuation. This quarter that meant we proactively marked down our existing secondaries 6% on average. For the direct side, we use a third-party valuation expert to value every asset every month, and they use public comps as a key input to their valuation models.

Ok, so back to our question: with nearly two times as many investments being marked down as marked up, why is the Fund flat and not down? It comes down to a few investments that significantly outperformed, either due to financial outperformance, exits from companies held inside secondary investments, or new secondary investments that we made at a discount to net asset value. We have also seen investments with attractive structuring terms, giving us priority over the first dollars coming back to investors. We believe these types of structures enhance our downside protection and give us a material advantage in this part of the market cycle.

Case Study

All that said, one investment drove the vast majority of outperformance, offsetting the nine largest performance detractors all on its own. This direct equity deal was Echo Global Logistics, invested into alongside the Jordan Company. Echo is a leader in North American transportation management and logistics, specializing in truckload freight brokerage. With supply chain disruptions prevailing through COVID and Russia's invasion of Ukraine, the logistics sector has been one of the few winners in 2022. Couple that with Echo seeing double digit EBITDA growth each of the last two quarters and acquiring one of its largest competitors, and you have the recipe for Echo's strong outperformance.

Echo represents the kinds of deals we hunt for in PAF: a tactical play on a positive macroeconomic trend; an asset that sits at an inflection point; and a manager we know well and like operating in their area of expertise. In fact, our extensive relationship with The Jordan Company drove our previous investment with them in Project Eagle, a secondary with five assets in the industrial and logistics spaces that was the second largest positive driver in the first quarter of this year. As we turn to the back half of the year, we can't know for sure if public market volatility will continue. What we do know is that our scale and market position is unique and gets us access to deals like Echo.

You've heard it from us before - the details matter: How we source our deals; how we value positions; how our portfolio construction helps investors navigate tougher market conditions. At Hamilton Lane, Private Markets are all we do, and the details are where we focus. We believe this consistency is critical to our success: we've seen this play out historically, it's allowed PAF to weather this difficult first half and it's why we're excited about the opportunities we're seeing in the second half - regardless of whether markets remain stormy or clear up as year-end approaches.

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IMPORTANT DISCLOSURES

*Echo Global Logistics has a 4.97% portfolio holding in the Private Assets Fund. The Fund does not have any investments in companies domiciled in Russia or Ukraine.

Investors should carefully consider the investment objectives, risks, charges and expenses of the Fund before investing. You should consider the Private Assets Fund's investment objectives, risks, charges, and expenses carefully before investing. For a prospectus that contains this and other information about the Fund, call 1 (888) 882-8212 or visit our website at www.hamiltonlane.com. Please read the prospectus carefully before investing. Past performance is not indicative of future results. Investing in the Fund involves risk including loss of principal.

The Fund operates as a non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended.

Shares are speculative and illiquid securities involving substantial risk of loss. Shares are appropriate only for those investors who can tolerate a high degree of risk and do not require a liquid investment and for whom an investment in the Fund does not constitute a complete investment program.The Fund has limited operating history and the shares have no history of public trading and it is not anticipated that a secondary market for Shares will develop. We do not expect a secondary market in the shares to develop.

Shares are subject to substantial restrictions on transferability and resale and may not be transferred or resold except as permitted.

An investment in the Fund is generally subject to market risk, including the loss of the entire principal amount invested. An investment in the Fund represents an indirect investment in the securities owned by the Fund. Shares are appropriate only for those investors who can tolerate a high degree of risk and do not require a liquid investment and for whom an investment in the Fund does not constitute a complete investment program.

Some of the principal risks of the Fund include limited operating history, limited liquidity, restricted and illiquid investments, non-diversification, and valuations subject to adjustments. The Fund may engage in the use of leverage, hedging, and other speculative investment practices that may accelerate losses.

Although the Fund is allocated across sectors and asset classes, it is a non-diversified fund and subject to risks associated with concentrated investments in a specific industry or sector and therefore may be subject to greater volatility than a more diversified investment.

The amount of distributions that the Fund may pay, if any, is uncertain. The Fund may pay distributions in significant part from sources that may not be available in the future and that are unrelated to the Fund's performance, such as offering proceeds, borrowings, and amounts from the Fund's affiliates that are subject to repayment by investors.

Certain investments in the Fund are illiquid making it difficult to sell these securities and possibly requiring the Fund to sell at an unfavorable time or price. The value of certain Fund investments, in particular non-traded investment vehicles, will be difficult to determine and the valuations provided will likely vary from the amounts the Fund would receive upon sale or disposition of its investments.

The valuations reported by the Portfolio Fund Managers, based upon which the Fund determines its month-end net asset value and the net asset value per Share may be subject to later adjustment or revision. Because such adjustments or revisions, whether increasing or decreasing the net asset value of the Fund at the time they occur, relate to information available only at the time of the adjustment or revision, the adjustment or revision may not affect the amount of the repurchase proceeds of the Fund received by Shareholders who had their Shares repurchased prior to such adjustments and received their repurchase proceeds, subject to the ability of the Fund to adjust or recoup the repurchase proceeds received by Shareholders under certain circumstances.

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