



CENTURION
ASSET MANAGEMENT INC

Private Investment Trends

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Why the Private Market is Growing Quickly

- Interest rates have been low for a long time, forcing investors to look elsewhere for returns
- Stock market volatility is driving investors to search for alternatives
- Regulations have opened up the space to retail investors
- The costs/burdens of being public are driving more entrepreneurs to stay private



Why Stay Private?

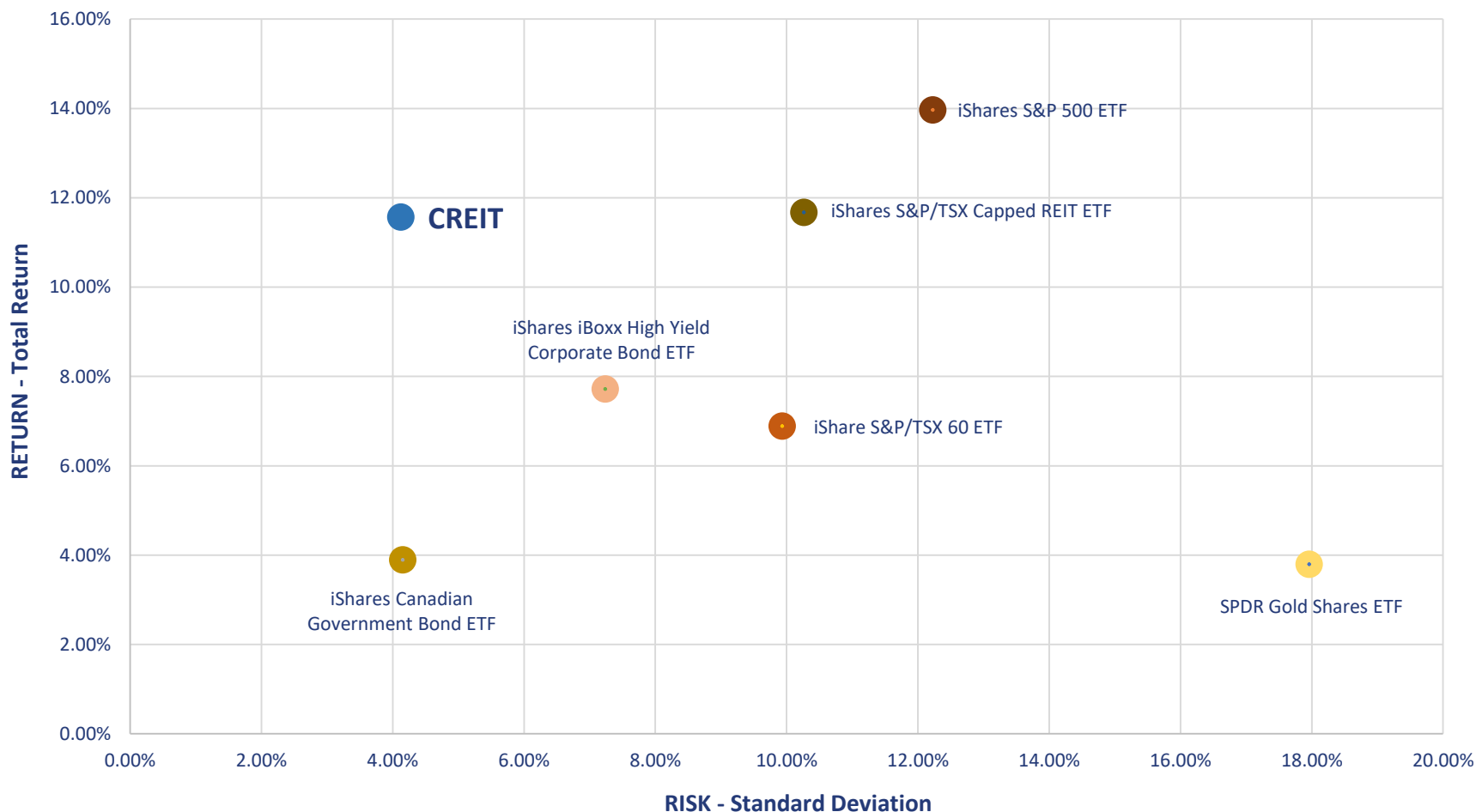
- Ability to focus on the business rather than managing the process of being public
- Consistent access to capital when the public markets are volatile
- Generally lower volatility of total returns which can attract investors
- Ability to scale at your own pace, not one driven by public markets demand for quick scale



Risk/Return Profiles can be Compelling

CREIT Return & Volatility

Since Inception (Aug 2009 - Aug 2017)

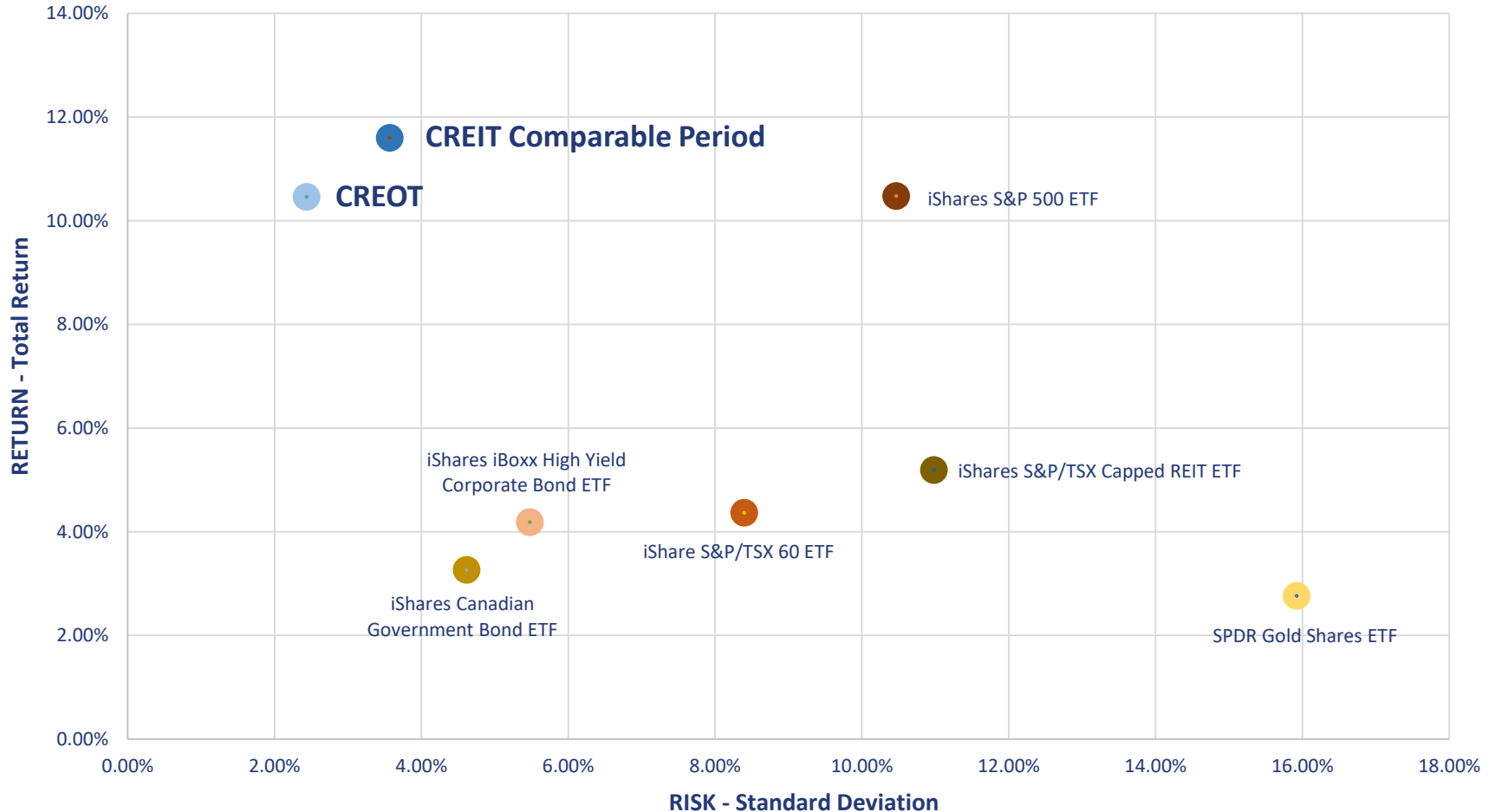




Risk/Return Profiles can be Compelling

CREOT Return & Volatility

Since Inception (Sep 2014 - Aug 2017)





Choose Your Risk Profile

Choice spans the spectrum of risk from:

- Highly speculative, small issuers like single project financings and start ups; to
- Larger, diversified, lower risk, fund type issuers



The Private Market Is Evolving

Dealers finding it harder, more costly, and risky to sell small issuers compared to larger ones:

- Due diligence requirements can be more difficult with a small issuer.
- Small issuer sizes mean that issuance, selling, and asset management costs are spread over a small amount, making them less economic for dealers, issuers, and end investors who ultimately pay these costs.
- More conservative investors have entered the private market that value capital preservation above high growth prospects. This is driving dealers and advisors to cater to what these investors want, rather than what issuers want.



Investment Suitability – Small Issuers

Small Issuers are for more risk seeking investors:

- Speculative
- Potential for high returns if you catch “the next big thing”
- Management team may be thin
- Investors must conduct detailed due diligence on each project as they don’t benefit from diversification
- Investors should diversify their portfolios across numerous issuers to reduce risk



Investment Suitability – Larger Fund Type Issuers

Large and/or Fund Type Issuers are for more conservative investors as they generally have:

- More diversified portfolios
- Deeper management teams
- Better governance structures (Trusts vs. Limited Partnerships)
- Independent board members or risk committees for oversight
- Lower fee loads which helps drive returns



Investment Suitability – Larger Fund Type Issuers

Large and/or Fund Type Issuers are for more conservative investors as they generally have:

- Better economies of scale
- Better access to capital markets
- More “eyes” on them (investment dealers, regulators, and investors)
- Better reporting infrastructure
- More access to opportunity flow



Leading Private Market Trends

- Increasing focus on large, quality issuers
- Increasing focus on costs to reduce leakage of investor returns
- A near-zero interest rate environment is making competition for returns fierce
- Investment return expectations are declining as investors get used to low rates
- There are more investment dollars wanting a home than what are available
- Compliance burdens are going up
- Reporting and disclosure standards are getting better
- Getting harder for start up managers to get going and be competitive



Things to Look for in a Private Investment

- A quality management team of high integrity
- An easy to understand business (can you explain it in 2 minutes?)
- Low volatility of underlying asset prices and returns
- Diversification – generally avoid single asset issuers unless you have the time and capital to conduct due diligence and can diversify yourself into many projects
- Reasonable returns vs. risks taken
- Low costs
- Economies of scale



Things to Look for in a Private Investment

- Timely, high quality reporting
- High quality disclosure so you know what you are buying
- Good alignment between management and investors
- Independent boards
- Top quality auditor
- Liquidity aligned with your time horizon and risk tolerance



Summary

- Private investment market will continue to grow quickly
- The types of investments that you will see are changing
- Lots of opportunities, but you need to do your homework or have an advisor assist



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Questions?

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