



## **ADVANTAGE PE 2020 Management Invest K/S**

Bredgade 40  
1260 Copenhagen  
CVR No. 41878061

## **Annual report 2022**

The Annual General Meeting adopted the  
annual report on 23.06.2023

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**Anders Stubkjær Dalhoff**  
Chairman of the General Meeting

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# Entity details

## Entity

ADVANTAGE PE 2020 Management Invest K/S

Bredgade 40

1260 Copenhagen

Business Registration No.: 41878061

Date of foundation: 23.11.2020

Registered office: Copenhagen

Financial year: 01.01.2022 - 31.12.2022

## Executive Board

ADVANTAGE Private Equity 2020 I GP ApS, Anders Stubkjær Dalhoff

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

# Statement by Management

The Executive Board has today considered and approved the annual report of ADVANTAGE PE 2020 Management Invest K/S for the financial year 01.01.2022 - 31.12.2022.

The annual report is presented in accordance with the Danish Financial Statements Act.

In my opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022.

I believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

I consider the preconditions for not auditing the financial statements for the financial year 01.01.2022 - 31.12.2022 to be complied with.

I recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 23.06.2023

**Executive Board**

**ADVANTAGE Private Equity 2020 I GP ApS**

Anders Stubbjær Dalhoff

# Independent auditor's compilation report

## To Management of ADVANTAGE PE 2020 Management Invest K/S

We have compiled the financial statements of ADVANTAGE PE 2020 Management Invest K/S for the financial year 01.01.2022 - 31.12.2022 based on the Entity's bookkeeping records and other information Management has provided.

These financial statements comprise the income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies.

We performed this compilation engagement in accordance with ISRS 4410, Compilation Engagements.

We have applied our expertise in accounting and financial reporting to assist Management in the preparation and presentation of these financial statements in accordance with the Danish Financial Statements Act. We have complied with relevant provisions of the Danish Public Accountants Act and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), including principles of integrity, objectivity, professional competence and due care.

These financial statements and the accuracy and completeness of the information used to compile the financial statements are Management's responsibility.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the disclosures Management provided to us to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion about whether the financial statements have been prepared in accordance with the Danish Financial Statements Act.

Copenhagen, 23.06.2023

### **Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR No. 33963556

### **Michael Thorø Larsen**

State Authorised Public Accountant  
Identification No (MNE) mne35823

# Management commentary

## Primary activities

ADVANTAGE PE 2020 Management Invest K/S (ADVANTAGE PE 2020 Management) is a feeder fund-of fund for the fund-of-funds Advantage PE 2020 A K/S, Advantage PE 2020 I P/S, Advantage PE 2020 II A/S and Advantage PE 2020 III K/S (Advantage PE 2020 program) with a geographical focus on investments in North America. Commitments are made to mid-market buy-out funds only. ADVANTAGE PE 2020 program is fully committed to five portfolio funds.

## Development in activities and finances

The financial year resulted in a loss of USD 103 which is better than management expectations.

The result of the underlying portfolio funds was positive by USD 6,445 and Advantage PE 2020 Management's own external expenses amounted to USD 6,549.

In the financial year an aggregate amount of USD 26 thousand was paid-in by the limited partners corresponding to 18% of the limited partners' committed capital. An aggregate amount of USD 8 thousand was contributed to the portfolio funds during the financial year corresponding to 5% of the commitments to the portfolio funds. An amount of USD 0.0 million was distributed from portfolio funds during the financial year.

## Particular risks

### *Financial risk*

The objective of ADVANTAGE PE 2020 Management is to provide capital to Advantage PE 2020 programme, which objective is to provide capital to portfolio funds, and thereby finance the underlying investments in competitive companies in the North American mid-market. The highest factor of risk is the changes in the valuations of the companies in which ADVANTAGE PE 2020 program's portfolio funds invest in, which are based on both the development in earnings and the valuations of comparable listed companies. The portfolio valuations are based on an estimate and therefore subject to some degree of uncertainty.

### *Interest rate risk*

ADVANTAGE PE 2020 Management is less sensitive to the changes in interest rate levels.

### *Foreign exchange currency risk*

ADVANTAGE PE 2020 Management's portfolio fund commitments are all made in USD. As the capital in ADVANTAGE PE 2020 Management is also in USD, the currency risk is considered insignificant.

### *Liquidity risk*

ADVANTAGE PE 2020 Management's cash resources as of 31 December 2022, include cash and cash equivalents and outstanding commitments from the limited partners and are deemed sufficient to cover ADVANTAGE PE 2020 Management's current liabilities.

**Outlook**

An extraordinary and resilient post-Covid surge dominated private markets for the first six months of 2022. However, during the second half of 2022, spiking interest rates, economic uncertainty, continued supply chain issues and the war in Ukraine, caused a significant decline in private equity deals, exits and fundraising. While it remains to be seen whether the abrupt shift in the economy will lead to a recession, private equity will face a test of portfolio resilience during an economic slowdown. While this environment is challenging with more headwinds than in the past decade, we are confident the underlying portfolio funds can find new ways to create value and underwrite risk, securing a positive long-term outlook for the portfolio.

The result for 2023 is expected to be negative to zero as a function of the expected so-called J-curve shape of a private equity portfolio and thereby substantially below current financial year.

**Events after the balance sheet date**

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

# Income statement for 2022

	Notes	2022 USD	2020/21 USD
Fair value adjustments of other investment assets		6,445	3,576
Other external expenses	1	(6,549)	(8,276)
<b>Gross profit/loss</b>		<b>(104)</b>	<b>(4,700)</b>
Other financial income		1	98
<b>Profit/loss for the year</b>		<b>(103)</b>	<b>(4,602)</b>
<b>Proposed distribution of profit and loss:</b>			
Retained earnings		(103)	(4,602)
<b>Proposed distribution of profit and loss</b>		<b>(103)</b>	<b>(4,602)</b>



# Balance sheet at 31.12.2022

## Assets

	Notes	2022 USD	2020/21 USD
Other investments		112,183	98,238
<b>Financial assets</b>	2	<b>112,183</b>	<b>98,238</b>
<b>Fixed assets</b>		<b>112,183</b>	<b>98,238</b>
<b>Cash</b>		<b>10,164</b>	<b>1,070</b>
<b>Current assets</b>		<b>10,164</b>	<b>1,070</b>
<b>Assets</b>		<b>122,347</b>	<b>99,308</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2022 USD</b>	<b>2020/21 USD</b>
Contributed capital		123,352	97,852
Retained earnings		(4,705)	(4,602)
<b>Equity</b>		<b>118,647</b>	<b>93,250</b>
Other payables		3,700	6,058
<b>Current liabilities other than provisions</b>		<b>3,700</b>	<b>6,058</b>
<b>Liabilities other than provisions</b>		<b>3,700</b>	<b>6,058</b>
<b>Equity and liabilities</b>		<b>122,347</b>	<b>99,308</b>
Fair value information	3		
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# Statement of changes in equity for 2022

	Contributed capital USD	Retained earnings USD	Total USD
Equity beginning of year	97,852	(4,602)	93,250
Increase of capital	25,500	0	25,500
Profit/loss for the year	0	(103)	(103)
<b>Equity end of year</b>	<b>123,352</b>	<b>(4,705)</b>	<b>118,647</b>

The investors have agreed upon a total commitment of USD 143.3 thousand. As of 31.12.2021 the total remaining commitment amount to USD 20.0 thousand.

# Notes

## 1 Other external expenses

The Company has no employees.

Management has not received remuneration.

## 2 Financial assets

The Company has through investments in the Master funds ADVANTAGE Private Equity 2020 I P/S, Advantage Private Equity 2020 II A/S, Advantage Private Equity 2020 III K/S and ADVANTAGE PE 2020 A K/S ownership of mainly unquoted investments. The Master funds invest in portfolio funds. The Company has no controlling or significant influence on the portfolio funds in which the Company has invested in through the Master funds.

The portfolio funds all use common accepted guidelines for measuring the fair value. The measuring of the fair value of the investments in underlying portfolio companies are made by the managers of the portfolio funds.

Usually, the Company has no or very little information about specific methods and assumptions used by the managers of the portfolio funds when measuring the fair value of the underlying portfolio companies. However, quarterly the Company receives information from the managers of the portfolio funds regarding the performance of the underlying portfolio companies including an unaudited capital account. At Q4 the Company receives audited financial statements by an independent auditor from the underlying portfolio funds which is the basis for the year end valuation.

The Company has no influence on the fair value assessment in the underlying portfolio fund why no key assumptions related to the fair value is relevant to disclose. As part of the compilation of the annual report management assesses the fair value principles and accounting estimates of the portfolio fund and evaluate if these principles are fair based on management experience and knowledge of the investment.

The value of a portfolio fund is measured as the fair value of each investment in portfolio companies owned by the fund with addition of other net assets in the fund. The valuation of a portfolio company in a portfolio fund is based on the industry, market position and earnings capacity, and the (i) the peer group multiple, i.e., the market value of comparable listed companies, (ii) transaction multiple in recent M&A transactions involving comparable companies, (iii) value indications from potential buyers of the portfolio company, (iv) market value if the portfolio company is publicly traded or (v) future expected proceeds, if there is a concluded agreement on the sale of the portfolio company.

The Company invests in fund-of-funds. The investments made by the portfolio funds are classified within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. The three levels of the fair value hierarchy are described below:

Level 1 – Inputs based upon quoted prices for identical assets and liabilities in active markets.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 – Unobservable input.

**Fair market value as of 31 December 2022**

<b>USD</b>	<b>Level 1: Quoted prices</b>	<b>Level 2: Observable input</b>	<b>Level 3: Unobservable input</b>	<b>Total</b>
Investment in portfolio funds	0	0	112,183	112,183
<b>Total</b>	<b>0</b>	<b>0</b>	<b>112,183</b>	<b>112,183</b>

<b>USD</b>	<b>Level 1: Quoted prices</b>	<b>Level 2: Observable input</b>	<b>Level 3: Unobservable input</b>	<b>Total</b>
Investment in portfolio funds	0	0	112,183	112,183
<b>Total</b>	<b>0</b>	<b>0</b>	<b>112,183</b>	<b>112,183</b>

**3 Fair value information**

	<b>Unlisted equity USD</b>
Fair value end of year	112,183
Unrealised fair value adjustments recognised in the income statement	6,445

**4 Contingent liabilities**

There is a remaining investment commitment of a total of USD 37,8 thousand to the Master funds.

In addition there are no guarantees or other contingent liabilities of the Company.

**5 Related parties with controlling interest****General Partner**

Manager from 23.11.2020:

Advantage Private Equity 2020 I GP ApS, Bredgade 40, 1260 Copenhagen.

Transactions: General partner fee.

# Accounting policies

## Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of a few provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

## Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

## Income statement

### Fair value adjustments of other investment assets

Fair value adjustments of other investment assets comprise adjustments for the financial year of the Entity's investment assets measured at fair value at the balance sheet date.

### Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities.

### Other financial income

Other financial income comprises interest, and net exchange rate adjustments on transactions in foreign currencies.

## Balance sheet

### Other investments

Other investments under non-current assets comprise unlisted investments in fund-of-funds (portfolio company). Investments are measured at fair value through the income statement. When measuring the fair value of an underlying portfolio company the valuation is based on the fair value of the assets and liabilities included in the individual portfolio company, which appears in the individual portfolio company's audited financial statement.

The fair value of the investment assets held in the portfolio company is calculated based on recognized valuation methods, including the IPEV valuation guidelines, which essentially correspond to the recognition and measurement provisions under IFRS 13. The estimated fair value on the investments under non-current assets thus corresponds to the Advantage' share of the capital account of the portfolio company.

As a result of the investment is made through another portfolio company, it is not possible to provide further information about the multiples, return requirements etc. applied in valuation. At Q4 the Company receives audited financial statements by an independent auditor from the underlying funds which is the basis for valuation at the balance sheet date.

Since the valuation in the portfolio company is dependent on assumptions about e.g., future earnings in underlying companies owned by the funds and the development in market multiples, the valuation is associated with a natural uncertainty. This uncertainty will naturally be greater in periods of fluctuations in the financial markets, where market multiples, and thus the valuation, will be affected by, among other things, developments in illiquidity premiums and the possibility of selling underlying companies in the funds.

Outstanding investment commitments at the balance sheet date are disclosed as contingent liabilities in the notes. The Company only holds investments in unlisted equity.

Refer to note 2 for further.

### Cash

Cash comprises cash in bank deposits.

### Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.