The 2010 Preqin Private Equity Secondaries Review

- Sample Pages

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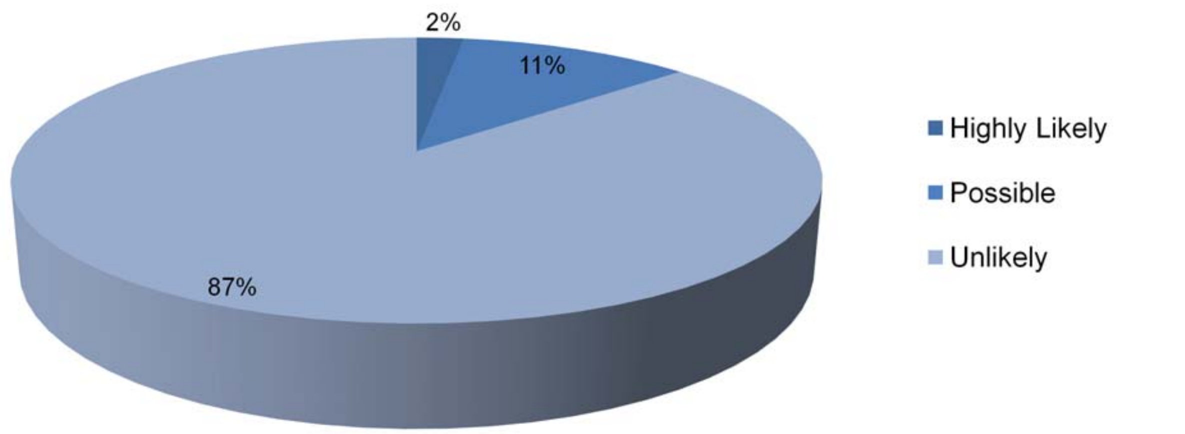
Executive Summary

Fig. A: Likelihood of Institutional Investors Selling Fund Interests on the Secondary Market over the Next 24 Months



The Secondaries Explosion That Never Was

Following the onset of the financial crisis, late 2008 and early 2009 saw a number of institutional investment portfolios enter a state of disharmony and distress. With public markets falling, many found themselves over-allocated to private equity as a result of the denominator effect. The expectation felt across the industry was that this would lead to a period of heightened activity on the secondary market, with distressed institutions such as endowment funds being forced to offload private equity interests where they would no longer be able to meet call-up obligations. However, as 2009 unfolded, these expectations failed to materialize in the market.

The Bid to NAV Chasm

As Preqin research conducted at the time revealed, the lack of deal-flow was certainly not due to a shortfall in the number of potential buyers or sellers in the market. A survey of investors showed that 1% were highly likely to be selling fund interests, with a further 9% considering a sale – not especially high numbers, but within the context of a $2.5 trillion industry, still indicative of a significant level of activity. The market was not short on demand either, with fundraising by secondary specialists at historic highs, and with a number of investors previously focused on primary transactions now considering secondaries activities.

The major factor restricting the flow of activity was the wide gap between bid prices and fund NAVs. As public equities improved dramatically throughout 2009, institutional investors found themselves at a reduced level of distress, and consequently many were less inclined to sell off their private equity investments at such a discount. Private equity fund valuations (running on a delay to public market investments) saw downward adjustments bringing them into alignment with other asset classes, thus alleviating the denominator effects for many investors. With continued uncertainty surrounding the market, neither buyers nor sellers were able to find a centre ground and the market stalled.

2010: A Potentially Record Year?

Although the economic outlook is improved from 2009, there are still a large number of investors seeking to sell fund interests on the secondaries market. As Fig. A shows, our latest research indicates that 2% of institutional investors are looking to definitely sell, with a further 11% possibly selling in the next 24 months. This actually represents an increase from last year, which is due to the lack of activity on the secondary market causing a backlog of potential sellers.

Investors are seeking to exit investments for a number of reasons. Although the denominator effect is now far less pronounced, capital calls far exceeded distributions from existing investments in 2009, and many investors are overcommitted to private equity as a result – especially those with aggressive overcommitment strategies. 63% of sellers state liquidity as a driving factor in wishing to sell. Other important factors include portfolio rebalancing (40%) and exiting poorly performing funds (18%) (Fig. B).

The number of potential buyers in the market is also at a high level. While the rest of the private equity market had a torrid time in 2009 in terms of new fundraising, secondaries funds actually had a record year, with 19 vehicles reaching a final close with $23 billion raised in total. Goldman Sachs closed a $5.5 billion fund in April 2009, which is the biggest dedicated secondaries fund closed to date. Normal institutional investors are also displaying a preference for secondary transactions, with 6% highly likely to buy, and a further 24% of those interviewed indicating an active interest in the market.

With an increase in the number of buyers and sellers, activity in 2010 has the potential to exceed that of 2009. However, activity in the market will again be dictated by the ability of buyers and sellers to reach a consensus on fair pricing.

Within the body of the 2010 Preqin Secondaries Review we feature full analysis of all buyers, sellers and intermediaries in the market, including exclusive detailed profiles with all key intelligence and contact information included.

The Bid Ask Ratio is Closing

Fig. C shows the discount / premium to fund NAV for listed private equity vehicle pricing. This acts as an excellent proxy for the level of bids forward by buyers for unlisted vehicles, and is well correlated to the bids being seen on Preqin's Secondary Market Monitor Online marketplace. The graph shows a significant rise in the discount to NAV following the onset of the

Fig. B: Motivations for Selling Fund Interests on the Secondary Market

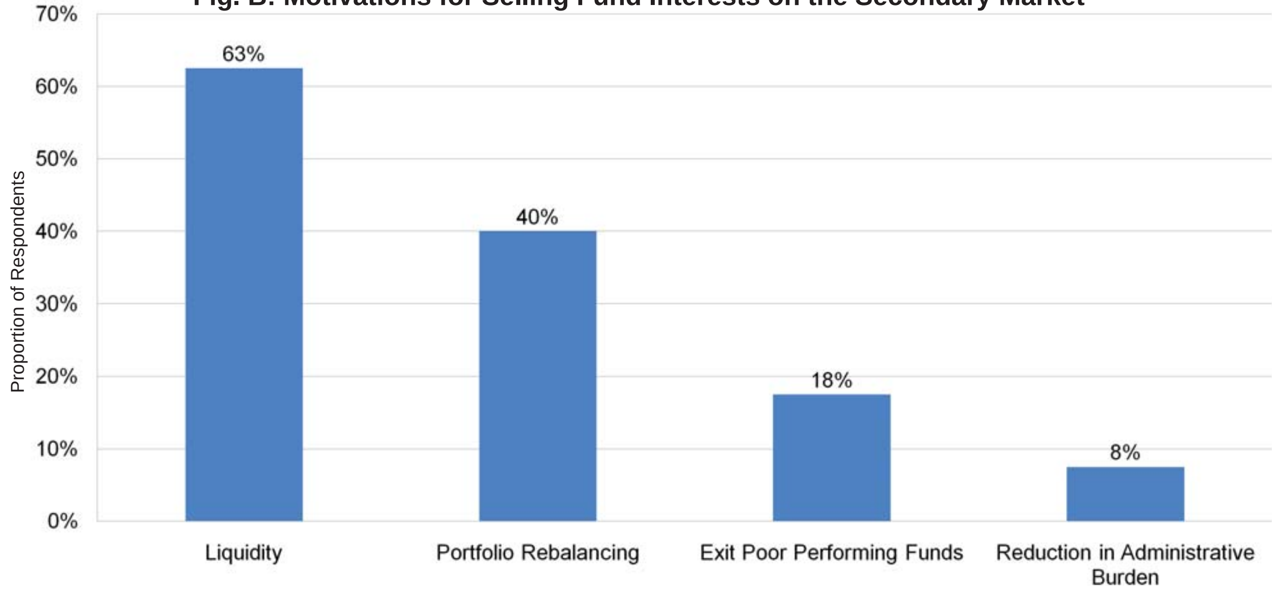
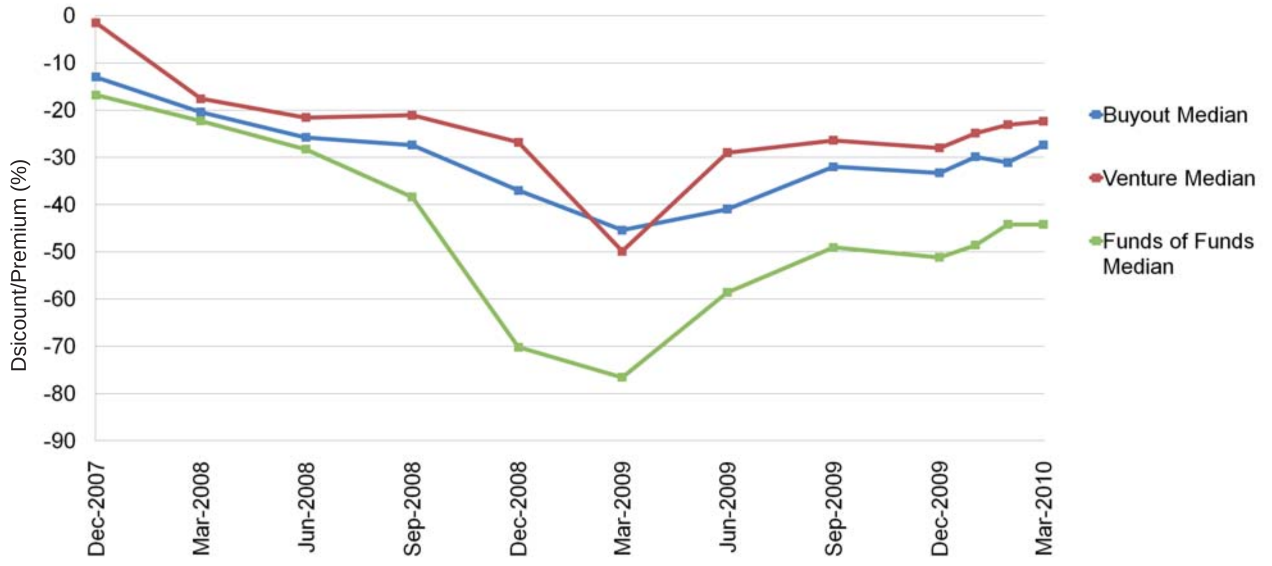


Fig. C: Listed Private Equity Discount/Premium by Type



financial crisis, with an especially big discount increase in the early part of 2009. As discussed, this discount proved too great for many sellers, and prevented the number of transactions from increasing to expected levels.

Since mid-2009, prices have been steadily improving, and the market is now sitting at just below a 20% discount to NAV. These levels will prove far more palatable for potential sellers, and as the gap continues to close, the number of sellers that will be willing to exit their investments will rise accordingly.

As a result, sellers are currently enthusiastic about the market, with buyers also optimistic towards secondaries. It appears that a viable equilibrium in terms of supply and demand and pricing is close to being achieved.

This year's 2010 Preqin Secondaries Review features detailed analysis on the pricing of secondaries, performance of secondaries vehicles, and other detailed information, such as differences between early secondaries vs. primary fund investments.

Timescale for the Secondaries Boom

This potential is already translating into action - Preqin's Secondary Market Monitor has seen a flurry of activity in recent months, with LPs putting a number of significant portfolios being put forward for valuation. With secondary transactions requiring plenty of negotiation and time, it will still be some time before the market truly explodes into action, but we are expecting the latter half of 2010 and especially 2011 to exhibit record levels of activity for the secondaries industry.

The 2010 Preqin Secondaries Review

For this year's publication our dedicated team of analysts contacted hundreds of players from all areas of the secondaries industry to provide the ultimate overview of the market. In addition to detailed analysis of market trends, the Review features hundreds of profiles containing exclusive intelligence gathered through direct communications with the institutions in question.

The 360-page report is a vital purchase for all those seeking to buy or sell on the market and all intermediaries involved in the secondaries process. It is also a valuable resource in helping GPs to understand the market, and is essential for all investment consultants and advisors for institutional investors.

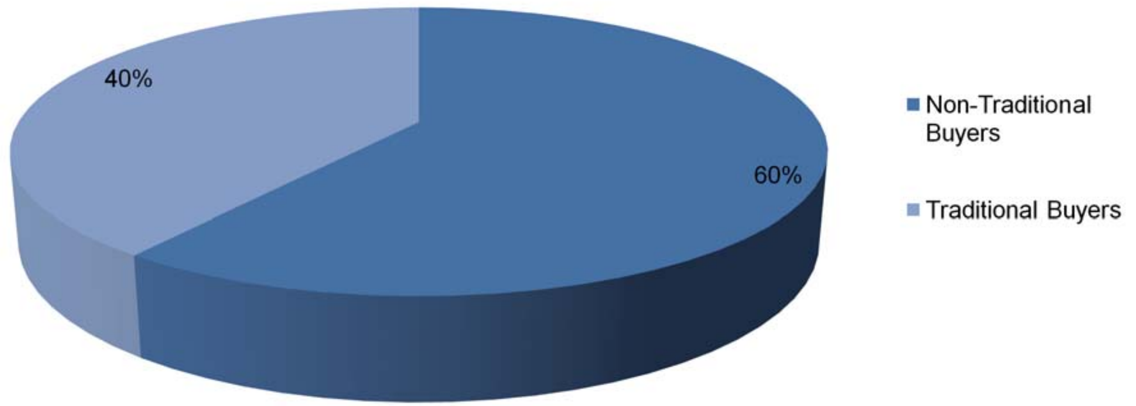
We hope that you find this year's edition of the Secondaries Review to be a useful tool, and as ever we welcome any feedback that you might have.

Review of the Secondary Market

The private equity secondary market has grown considerably since it first emerged with the establishment of the Venture Capital Fund of America in 1982, a vehicle which primary focused on early secondary market purchases. Early entrants to the secondary market, including Coller Capital, Landmark Partners, Paul Capital Partners and Lexington Partners, all remain key secondary market players today, but many more have entered the market in recent years. There are now 74 managers with dedicated secondaries funds and there are a considerable number of additional firms which incorporate secondary investments into their overall investment strategy.

The primary private equity market is cyclical in nature, experiencing upturns and downturns over a period of years. The secondary market follows these same cycles but with a typical lag of between two and five years. The consequence of this is that when the primary market experiences a downturn, the secondary market may be in an upturn which the primary market would have experienced a few years before. Following previous economic declines, the secondary market became more active, so many have forecasted a significant increase in deal-flow in the coming months following the recession in the global financial markets, which also impacted upon the primary private equity market.

Fig. 3.1: Traditional vs Non-traditional Secondary Market Buyers



Historically, a certain stigma was attached to secondary market transactions owing to the incorrect assumption that such sales were only prompted by institutions short of cash. However, the benefits of taking part in secondary market sales have become more widely recognized within the investor community and LPs are increasingly utilizing the market as a tool to rebalance their portfolios by selling portions of their private equity portfolios to free up capital to inject into other private equity investments. The motivations behind investors' decisions to sell fund stakes on the secondary market are examined in more depth in Section 18.

Since the first secondary market transactions took place in the 1980s, we have seen a significant change in the types of institution interested in buying private equity or private equity real estate fund interests on the secondary market. Primary and secondary fund of funds managers previously dominated the secondary market and although they are still leading players, there are now a considerable number of other institutional investor types looking to take part in secondary market transactions.

Compiled using data from Preqin's Secondary Market Monitor database, Fig. 3.1 illustrates that 40% of investors currently seeking fund opportunities on the secondary market are traditional secondary market buyers, consisting of primary and secondary fund of funds managers. Non-traditional investor types account for a substantial 60% of investors looking to purchase fund stakes on the market. Non-traditional secondary market investors primarily consist of pension funds, insurance companies, endowment

(NAV) for fund stakes being sold on the secondary market. This stemmed from their expectation that the distressed sellers would need to exit funds quickly in order to free up capital to enable them to meet the call-up obligations of the rest of their portfolios and to enable them to rebalance their portfolios after the denominator effect left them over-weighted towards private equity. Potential sellers of fund interests, however, were reluctant to part with their fund stakes at such discounts, the end result of which was that significantly fewer secondary market transactions successfully completed than was expected.

There are several other factors that may have had an impact on secondary market deal volume in 2009. The introduction in the US of FAS 157 reporting regulations could have had a significant impact on secondary market transactions in 2009. These regulations have made it more difficult for buyers to accurately assess the value of the underlying assets within a private equity portfolio, which has perhaps deterred some investors from completing transactions. Another challenge that faces the secondary market is the legislation in place in certain regions, which only allows 2% of LP interests to be sold on the secondary market to avoid costing the fund its private status.

Case studies one and two show examples of two proposed secondary sales that were put forward during 2008-9 and the reasons why these sales were called off.

Role of Investment Consultants on the Secondary Market

Preqin recently surveyed 59 institutional investors in order to assess their current attitudes towards the secondary market. Investors were asked whether their investment consultants have ever recommended

Case Study Two: Stanford Management Company

In Q1 2009, Stanford Management Company looked into the possibility of selling $2 billion of private equity fund interests on the secondary market, which consisted primarily of undrawn commitments. Secondary buyers were to buy into the undrawn funds through a structured vehicle; however, it failed to attract much attention from interested parties.

In September 2009, in order to re-deploy capital and re-balance its portfolio, Stanford Management Company returned to the secondary market, this time seeking to sell a portfolio of alternative assets worth $13 billion. Cogent Partners was handling the sale and invited potential buyers to bid on the portfolio of buyout, venture, distressed debt, forestry and real estate funds. Stanford had requested a structured sale, whereby it only sold about 10-20% of each interest so that it would remain a limited partner in each of the funds.

Although in November 2009, it was reported that Stanford had received bids totaling more than $1 billion for its portfolio, in December 2009, the endowment called off the sale. Stanford's overall liquidity profile had improved as a result of recovery in the stock and bond markets, so it decided that a secondary sale was no longer required.

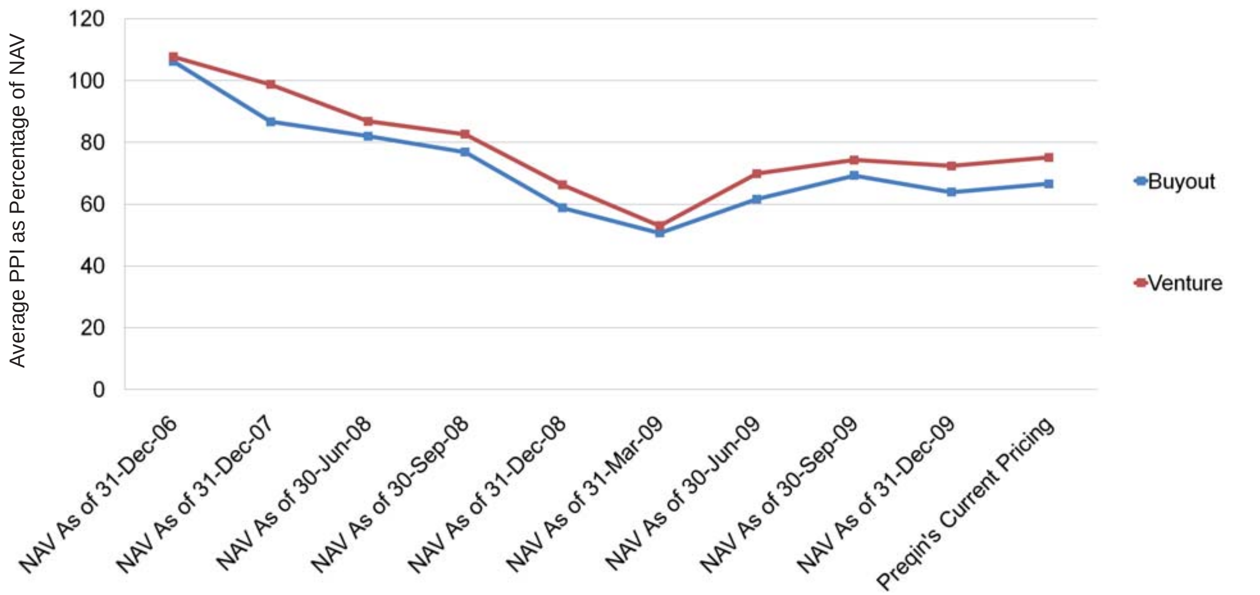
Fig. 3.2: Proportion of Investors That Had a Secondary Market Sale or Purchase Recommended by Their Investment Consultant

that secondary market discounts widened from 2007, when we would have expected buyout fund interests to have traded at a small premium to NAV, until March 2009. Preqin's current pricing for buyout and venture fund interests (66.6% and 75.1% of NAV respectively) is greater than the corresponding values at year end 2008 (58.8% and 66.3%) and suggests that secondary pricing reached its lowest point in March 2009, at 50.7% and 53.0% of NAV respectively, pricing has been improving with time. The secondary market did not take off as expected in 2009; in many cases deals were not made because sellers and buyers could not meet over price, but the recent improvement in secondary market pricing could result in an increase in the number of secondary market transactions in 2010.

Summary

Secondary market transaction volume failed to meet expectations in 2009. However, as secondary market pricing improves and investors increasingly feel the pressure of capital call-up obligations from GPs, we expect an increase in secondary transaction volume in 2010. Given this forecast, sellers should consider both subdividing their private equity portfolios and inviting a range of bids in order to take advantage of the selectivity that exists among secondary market buyers and maximize the price they obtain for their holdings.

Fig. 6.4: Historic Preqin Price Indications (PPI) as % of NAV (Sample Funds with Vintages 1998-2008)



Capital Raised by Managers Historically

Fig. 8.3 shows the breakdown of managers by aggregate capital raised for secondaries funds historically, demonstrating that 12% of managers have raised a total of $5 billion or more for their secondaries funds. Managers in this group are responsible for more than half of the aggregate capital ever raised by dedicated secondaries funds, which confirms the significant influence this relatively small group of firms has on the overall secondaries fund market. Lexington Partners and Goldman Sachs Private Equity Group have raised the largest amounts of capital of all firms in the industry, with both firms having raised in excess of $12 billion in total for their secondaries funds. 39% of secondary fund of funds managers have raised less than $250 million historically, reflecting the number of newer and smaller firms managing their first or second funds that have joined the market in recent years.

Fund Type Preferences of Secondary Fund of Funds Managers

Of the secondary fund of funds managers currently active on the secondary market, approximately one-third are totally opportunistic with regards to the types of private equity funds in which they will purchase stakes on the secondary market. A further 45% of managers purchase stakes in more than one type of fund, most often buyout, venture and, to a lesser extent, mezzanine funds. A number of managers are specialist private equity real estate secondary fund of funds managers, with 6% of firms focusing exclusively on the purchase of real estate fund stakes on the secondary market. The most popular fund types for secondary fund of funds managers are buyout and venture funds, with 89% of managers expressing an interest in purchasing stakes in buyout funds and 78% stating an interest in purchasing stakes in venture funds, including those with a truly opportunistic focus. Two-thirds of secondary fund of funds managers purchase mezzanine fund stakes on the secondary market. Other popular fund types include distressed debt and special situations funds.

Geographic Preferences of Secondary Fund of Funds Managers

In terms of geographic preferences, 56% of active secondary fund of funds managers will consider purchasing secondary stakes in private equity funds focusing on any region globally, and a further 18% of managers will purchase fund stakes focused on the developed markets of North America and Europe only. 13% of managers seek to purchase stakes in funds that focus solely on Europe, while 10% seek US-focused fund stakes only.

Annual Fundraising by Secondaries Funds

The annual aggregate amount of capital raised by secondaries funds vehicles has displayed an upward trend over the past decade, as Fig. 8.4 shows, although fluctuations do occur due to the fairly small

Fig. 8.3: Breakdown of Secondary Fund of Funds Managers by Capital Raised Historically

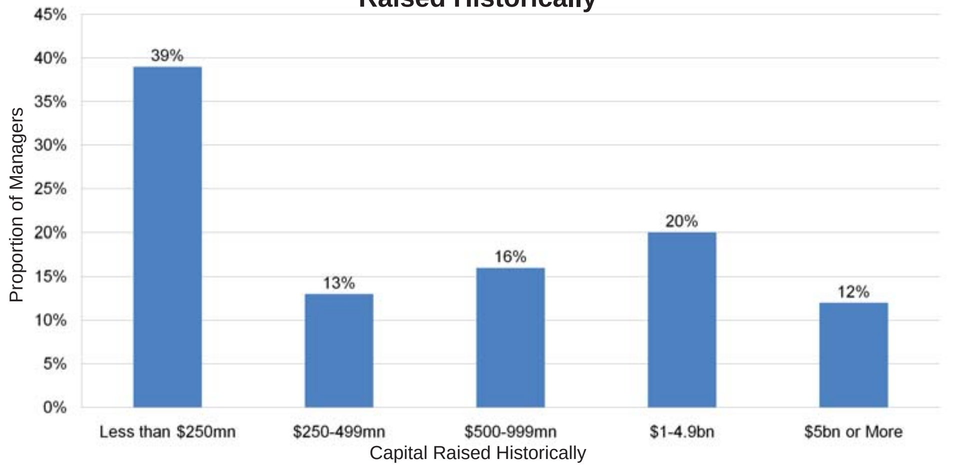
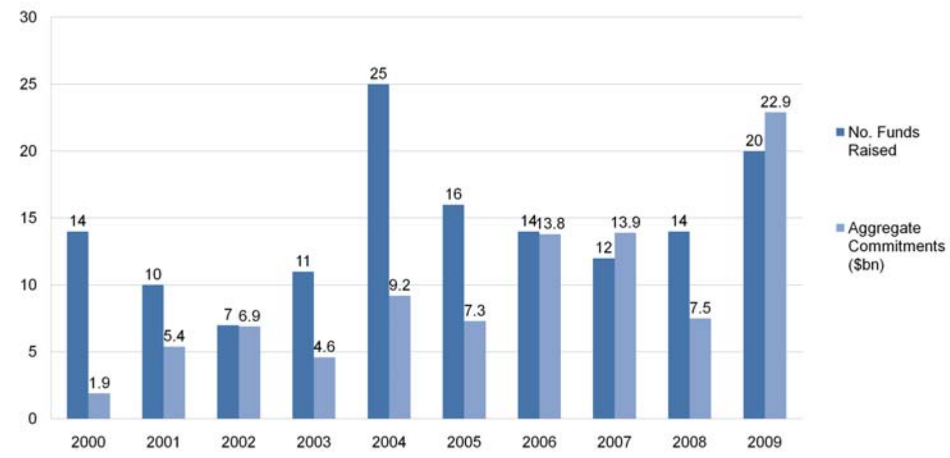


Fig. 8.4: Annual Secondaries Fundraising: 2000 - 2009



vehicles of 2009 vintage, but was still greater than the proportion of 2007 vintage vehicles.

Fund of Funds Managers' Views on Investing in Secondaries

In order to analyze the current attitude of fund of funds managers towards the private equity secondary market, Preqin surveyed 20 leading fund of funds managers worldwide and asked them about their views on the market, how they approach a secondary market purchase, what they perceive to be the most important benefits of investing on the secondary market and what they consider to be the most interesting opportunities going forwards.

As displayed in Fig. 9.4, all of the 20 respondents to our survey stated that they would approach GPs about the possibility of purchasing an interest in their vehicle on the secondary market. For some of the fund of funds managers, this was the only stated source of potential secondary market opportunities, with many just seeking to increase their exposure to existing funds in their portfolios. A further 45% stated they would enlist the help of an intermediary, and 20% would approach a fellow LP in a fund.

As Fig. 9.5 shows, 37% of respondents to our survey told us that they hold a wish list of either funds or GPs to which they would like to gain exposure via the secondary market. For some managers, this is a list of more mature funds that closed prior to the investment period of their current fund of funds. For others, it is a list of top-tier managers/funds they would like to access that were oversubscribed when initially raising capital. 63%, however, do not have a wish list of funds or GPs and instead take an opportunistic approach to investments on the secondary market.

Fig. 9.5: Fund of Funds Managers' Approach to Secondaries Purchases - Wish List or Opportunistic

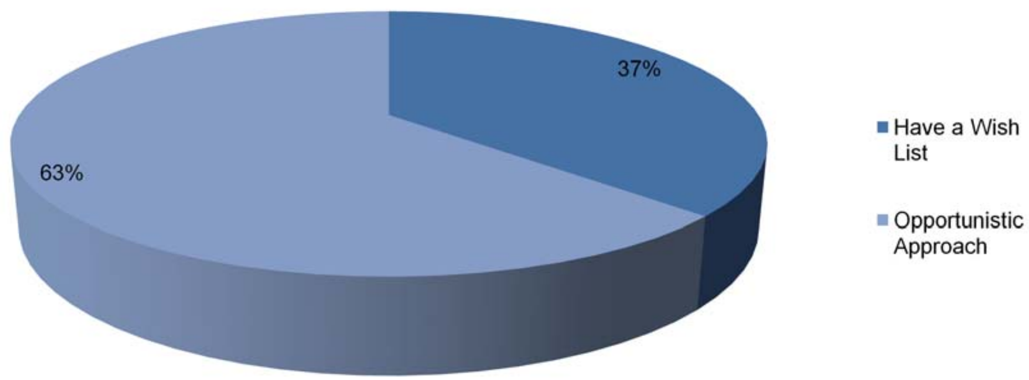
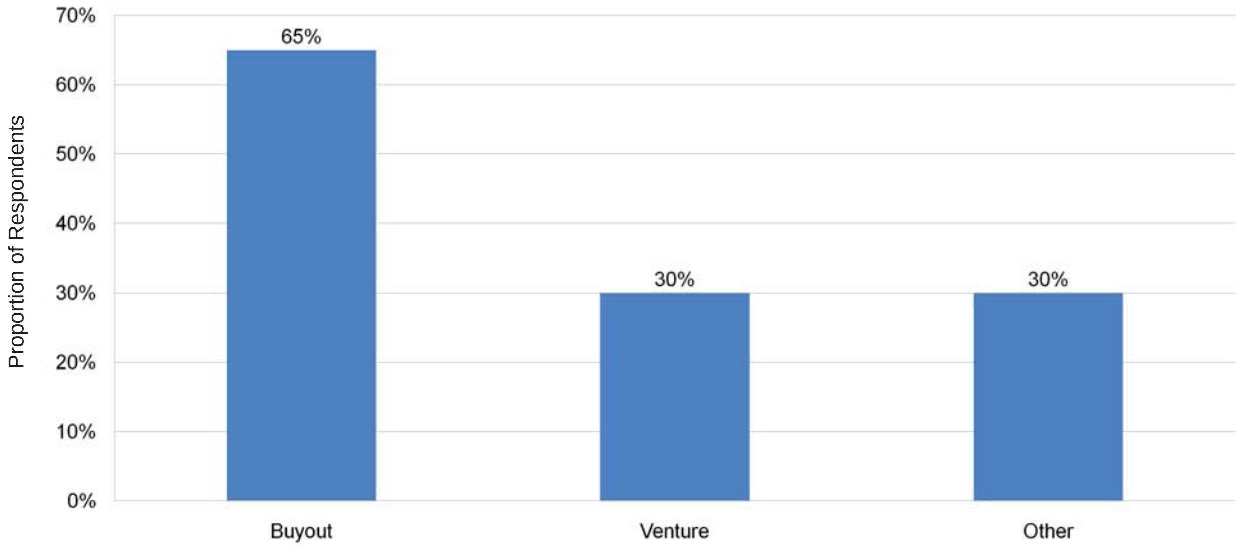


Fig. 9.6: Fund of Funds Managers' Secondary Market Fund Type Preferences



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AXA Private Equity is active in all segments of private equity: leveraged buyout, venture and expansion, through primary, early secondary and mature secondary fund of funds investments. Early secondary vehicles target funds in which the commitments are less than 50% drawn. Since the establishment of the Paris office in 1996, AXA Private Equity has opened six additional offices in London, New York, Frankfurt, Milan, Singapore and Zurich.

Buying Preferences

Buyout	Venture	Distressed	Real Estate	Other	Opportunistic
•					

North America	Europe	Asia & ROW	Vintage Preferences
•	•	•	

AXA Private Equity offers investors in its fund of funds vehicles a global range of investments in primary funds of funds, secondary funds of funds, and early secondary funds of funds, which refers to purchasing fund interests in immature funds, where less than 50% of commitments have been drawn down.

AXA Private Equity is set to continue purchasing private equity fund interests on the secondary market over the course of 2010. AXA Secondary Fund IV has a global focus and is not industry specific, thus invests in a diverse range of funds. AXA Private Equity closed its most recent secondaries fund, AXA Early Secondary Fund IV, at the end of March 2010.

Funds Managed

Fund	Vintage	Status	Size (mn)	% Allocation to Secondaries	Called (%)	Distributed (%)	Rem. Value (%)	Multiple (X)	Net IRR (%)	Date Reported
AXA Early Secondary Fund IV	2010	Closed	546.1 EUR	100%					n/m	
AXA Capital Asia	2006	Closed	513 USD	At least 5%	63.2	4.0	86.0	0.90	-5.6	30-Sep-09
AXA Secondary Fund IV	2006	Closed	2,854 USD	100%	30.4	3.6	78.6	0.82	-13.9	30-Sep-09
AXA Early Secondary Fund III	2005	Closed	600 EUR	100%	62.3	26.0	62.1	0.88	-7.6	30-Sep-09
AXA Early Secondary Fund II	2004	Closed	221 USD	100%	88.1	85.4	65.3	1.51	16.5	30-Sep-09
AXA Secondary Fund III	2004	Closed	1,040 USD	100%	76.3	129.7	37.0	1.67	51.0	30-Sep-09
AXA Early Secondary Fund I	2003	Closed	228 EUR	100%	95.2	93.2	45.6	1.39	17.0	30-Sep-09
AXA Secondary Fund II	2001	Closed	480 USD	100%	91.2	135.2	19.3	1.54	23.1	30-Sep-09
AXA Secondary Fund	1999	Closed	220 USD	100%	94.5	184.2	5.2	1.89	39.7	30-Sep-09

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MidCoast Capital is a merchant bank that works closely with wealthy families, institutions and companies, advising on potential investment opportunities. It also manages a series of dedicated secondary market vehicles, through which it purchases private equity fund stakes and participates in direct secondary transactions. It was founded by its two managing principals, Michael Cuneo and Stephen Harris.

Buying Preferences

Buyout	Venture	Distressed	Real Estate	Other	Opportunistic
•	•				

North America	Europe	Asia & ROW	Vintage Preferences
•			

MidCoast Capital is an active participant on the secondary market, primarily looking to purchase interests in US-focused buyout and venture funds. MidCoast is flexible with regards to transaction structures and will adapt to meet the needs of the seller.

As of Q1 2010, MidCoast Capital was to continue purchasing private equity fund interests on the secondary market via Diversified Private Equity Investors III over the next 12 months. At this time, the fund remained open for new investors.

Funds Managed

Fund	Vintage	Status	Size (mn)	% Allocation to Secondaries	Called (%)	Distributed (%)	Rem. Value (%)	Multiple (X)	Net IRR (%)	Date Reported
Diversified Private Equity Investors IV	2009	First Close	5 USD *	100%	1.0		100.0		n/m	30-Jun-09
Diversified Private Equity Investors III	2007	Closed	2 USD	30%	55.0	8.0	68.0	0.76		30-Jun-09
Diversified Private Equity Investors II	2004	Closed	3 USD	100%	49.0	71.0	72.0	1.43		30-Jun-09
Diversified Private Equity Investors I	2003	Closed	2 USD	100%	100.0	166.0	96.0	2.62		30-Jun-09

* = Fund Target

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Vintage Investment Partners, previously known as Vintage Venture Partners, is the only secondary fund manager and fund of funds manager focused exclusively on private equity fund investments in Israel. The management team has over 100 years of combined experience with Israeli companies in both the private and public equity markets, as well as long-standing relationships with top-tier Israeli funds and foreign investors.

In partnership with Grove Street Advisors (GSA), Vintage Investment Partners provides advisory services for Israeli institutions related to investments in international private equity and venture funds.

Buying Preferences

Buyout	Venture	Distressed	Real Estate	Other	Opportunistic
•	•				

North America	Europe	Asia & ROW	Vintage Preferences
		•	

Vintage Investment Partners originally focused only on venture capital primaries and secondaries, but in its latest two funds it has broadened its mandate to include non-venture private equity funds. It will invest in first-time funds that are raised by experienced managers, either spin-offs or people who have repeatedly invested together.

Over the course of 2010, Vintage Investment Partners will invest on the secondary market through its latest secondaries vehicle, Vintage Ventures III, and its latest fund of funds vehicle, Vintage Ventures IV. Less funded stakes in funds will be purchased through its fund of funds vehicle, while the higher funded secondary offerings will form the focus of Vintage Ventures III. Vintage Investment Partners will co-invest with the fund managers of its secondary purchases on an opportunistic basis.

Vintage Ventures III, which held a final close in March 2007 on USD 125 million, is a secondaries fund that purchases venture and buyout fund interests with a focus on Israel. It will acquire fund interests that are at least 50% funded. The fund has around a 30% allocation to direct secondaries including portfolios, single interests and founders' shares.

Vintage Ventures IV, which closed in May 2009 on USD 92 million, is a fund of funds vehicle that focuses on venture and non-venture private equity funds in Israel. The vehicle has an unlimited secondary market allocation and will typically purchase fund commitments that are less than 40% funded. Its secondary market strategy follows its primary market strategy.

Funds Managed

Fund	Vintage	Status	Size (mn)	% Allocation to Secondaries	Called (%)	Distributed (%)	Rem. Value (%)	Multiple (X)	Net IRR (%)	Date Reported
Vintage Ventures IV	2009	Closed	92 USD							
Vintage Ventures III	2007	Closed	125 USD	100%						
Vintage Venture Fund II	2005	Closed	75 USD	At least 10.0%						
Vintage Ventures I	2003	Closed	64 USD	100%						

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* = Fund Target

Fund and Firm Name	Target Close (mn)	Final Close (mn)	Close Date	Placement Agent	Fund Type Preferences	Geographic Focus	Sample LPs
CS Strategic Partners IV RE CS Strategic Partners	300 USD	300 USD	Mar-09			North America, Europe	Minnesota State Board of Investment, PSERS
Cubera Secondary Fund Cubera Private Equity	300 NOK	530 NOK	Apr-07	Pareto Private Equity		Scandinavia Norway	Opplysningsvesenets Fond, Torvald Klaveness Group
Cubera IV Cubera Private Equity		124 NOK	Dec-09			Europe	
Encore I Encore Ventures		170 GBP	Sep-09		Venture		
Fondinvest VIII Fondinvest Capital	400 EUR	357 EUR	Dec-09	Merrill Lynch Private Equity Placements Group		North America, Europe, Asia	
GS Vintage Fund IV Goldman Sachs Private Equity Group	1,500 USD	3,000 USD	Mar-07			North America	AFA, AP-Fonden 3, AUSCOAL Super, Community Foundation in Jacksonville, CPP Investment Board, East Riding Pension Fund, Greater Des Moines Community Foundation, Lothian Pension Fund, South Yorkshire Pensions Authority, University of Minnesota Endowment - Consolidated Endowment Fund (CEF), West Yorkshire Pension Fund
GS Vintage Fund V Goldman Sachs Private Equity Group	5,000 USD	5,500 USD	Apr-09		Any	North America	AP-Fonden 3, AP-Fonden 4, AUSCOAL Super, FABF, CPP Investment Board, Lothian Pension Fund, MSRPS
Greenpark International Investors III Greenpark Capital	500 EUR	730 EUR	May-07	Denning & Company		North America, West Europe US	Bramdean Alternatives, Hampshire County Council Pension Fund, IPERF, Macquarie Funds Group, Pacific Life Insurance Company, PSERS, Pensioenfonds PNO Media, SFERS
Hamilton Lane Secondary Fund Hamilton Lane		325 USD	Jan-05			North America, Europe	Bank Gutmann Group, PERSI
Hamilton Lane Secondary Fund II Hamilton Lane	400 USD	591 USD	Aug-09	Not Used		North America, Europe, Global	Dallas Employees' Retirement Fund
Dover Street VI HarbourVest Partners	520 USD	521 USD	Nov-06			North America, Global	Alcyon, Compagnia di San Paolo, DEA Capital, Foreign & Colonial Investment Trust, Heinz Endowments, John S. and James L. Knight Foundation
Dover Street VII HarbourVest Partners	2,000 USD	2,900 USD	Apr-09		Buyout, Venture	North America, Global	Alcyon, Arizona Public Safety Personnel Retirement System, Army & Air Force Exchange Service Pension Fund, DPSRS, Foreign & Colonial Investment Trust, Health Care Foundation of Greater Kansas City, London Borough of Newham Pension Fund, London Pensions Fund Authority, MSRPS, Michigan State University Endowment, Military Superannuation Pension Fund, Montana Board of Investments, PA SERS, Staffordshire County Pension Fund, University of Colorado Foundation, University of Vermont, VRS, West Yorkshire Pension Fund
Headway Investment Partners Headway Capital Partners		52 EUR	Jun-05		Buyout, Venture	North America, Europe	
Headway Investment Partners II Headway Capital Partners	120 EUR	150 EUR	Apr-08		Buyout, Mezzanine, Venture	North America, Europe UK, US	

Investor Appetite for Secondary Market Purchases

Over the past couple of years, the secondary market has attracted an increasing degree of attention from institutional investors. Although some of this attention has been directed towards the benefits of selling stakes in funds, a growing number of institutions are joining the more traditional secondary market players, such as primary and secondary fund of funds managers, in seeking to purchase discounted stakes in private equity funds on the secondary market.

Investors feel increasingly well informed about the secondary market and the advantages it offers when looking to gain further exposure to private equity. Although the level of secondary market activity was lower than expected in 2009 and a considerable proportion of LPs have opted to gain their exposure to the market through commitments to secondaries funds, many institutional investors are still closely monitoring the secondary market and view secondaries as a significant component of their overall investment strategies.

Over the past year, Preqin has been in continuous contact with institutional investors in private equity and private equity real estate across the globe in order to assess their attitudes towards the secondary market and whether they have any plans to take part in secondary market transactions within the next 24 months. Fig. 14.1 illustrates that 6% of the LPs we surveyed are highly likely to buy fund interests on the secondary market during the next 24 months, and a further 24% felt such investments were a possibility.

Of those investors with an interest in secondary market transactions, 8% are looking to purchase fund interests on the secondary market immediately, and 64% will look at buying within the next 12 months.

Which LPs are Looking to Buy on the Secondary Market?

As shown in Fig. 14.2, the secondary market is attracting interest from a variety of LP types. Public pension funds account for 25% of the LPs looking to purchase fund stakes on the secondary market within the next 24 months. A notable 10% of public pension funds are looking to take part in a secondary market transaction immediately and 64% are likely to do so within the next 12 months. A significant number of insurance companies and endowment plans are also keen to gain exposure to the secondary market, as they comprise 14% and 12% of all LPs looking to buy fund stakes on the secondary market respectively.

Fig. 14.1: Likelihood of Institutional Investors Buying Fund Interests on the Secondary Market in the Next 24 Months

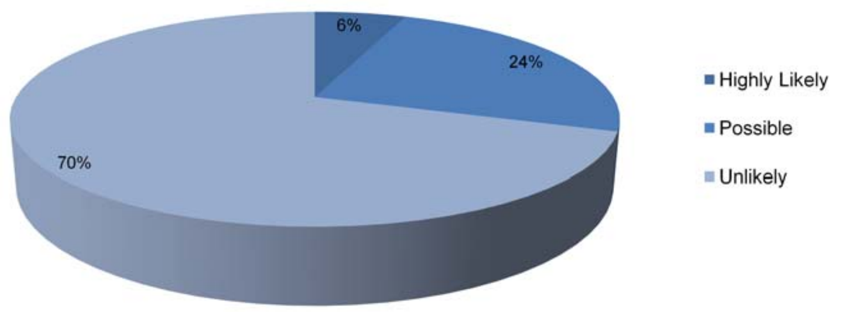
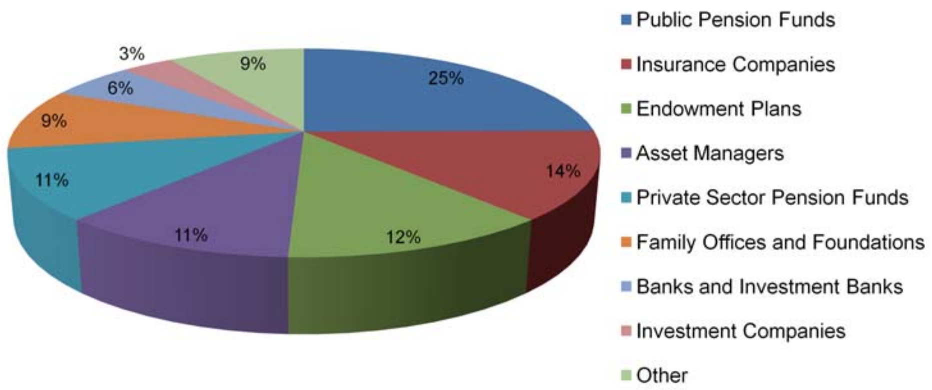


Fig. 14.2: Make-up of Investors Looking to Buy on the Secondary Market in the Next 24 Months By LP Type



The global financial crisis has created a wealth of secondary market deal flow in the Nordic region, prompting Formuesforvaltning to team up with a Nordic private equity firm in a bid to increase its purchasing activity. Formuesforvaltning hopes to utilize its partner's expertise in the private equity market in successfully completing transactions.

By Q4 2009 Formuesforvaltning had purchased a few private equity real estate stakes on the secondary market. These had primarily been in US funds. The asset manager wanted to continue using the secondary market to bolster its private equity real estate portfolio. Unlike with other forms of private equity, it would only target funds it had already invested in via the primary market. It would not focus on new funds as this process is too resource-intensive for its real estate team. It felt the process involved in secondary market transactions complex, and wanted to avoid the due diligence that goes into accessing a new fund through a secondary market purchase.

As of February 2010, Formuesforvaltning was possibly going to purchase fund interests on the secondary market over the next two years.

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FvS Family Office

Family Office / Foundation

Im Mediapark 8, Cologne, 50670, Germany
Tel: +49 (0)22 133 8810 0 — Web: www.fvs-family-office.com
Fax: +49 (0)22 133 8810 3 — Email: info@fvs-family-office.com

Total Assets (mn):	2,000 EUR	**PE Allocation (mn):**	100 EUR (5.0%)
PE Investment Consultant:	In-House		
Vintage Preferences:	2000 - 2008		
Likelihood of Buying:	Possible	**Timeframe:**	12-24 Months

Buyer Preferences

Buyout	Venture	Real Estate	Distressed	F o Fs	Other	Opportunistic
•	•					

North America	Europe	Asia & ROW
•	•	•

As of Q1 2010, although FvS Family Office has no immediate plans to purchase any private equity fund interests on the secondary market, it may do so within the next 12-24 months. It is considering buying fund stakes on the secondary market in order to mitigate the effects of the J-curve, take advantage of funds being sold at discounts to net asset value and to gain access to top fund managers. The family office would consider purchasing interests in buyout and venture funds in Europe, US and Rest of World. It would consider funds with a vintage of 2000-2008.

Contact Name	Position	Tel	Email
Oliver Hollender	Head Private Equity Investments	+49 (0)22 133 8814 0	oliver.hollender@fvs-family-office.com

Georgetown University Endowment

Endowment Plan

37th and O Streets, Washington, DC, 20057, US
Tel: +1 202 687 0100 — Web: www.georgetown.edu
Email: info@georgetown.edu

Total Assets (mn):	891 USD	**PE Allocation (mn):**	154 USD (17.3%)
Likelihood of Buying:	Possible	**Timeframe:**	12-24 Months

Buyer Preferences

Buyout	Venture	Real Estate	Distressed	F o Fs	Other	Opportunistic
•						

North America	Europe	Asia & ROW
•	•	

As of Q1 2010, although Georgetown University Endowment had no immediate plans to purchase any private equity fund interests on the secondary market, it was considering doing so in the next 12-24 months. It feels the secondary market will enable it to gain exposure to top performing managers and take advantage of funds being sold at a discount. The endowment plan will consider buying stakes in European- and US-focused funds. It does not have a preference for fund vintage.

Contact Name	Position	Tel	Email
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Harvard Management Company

Endowment Plan

600 Atlantic Avenue, 16th Floor, Boston, MA, 02210, US
Tel: +1 617 523 4400 — Web: www.hmc.harvard.edu
Fax: +1 617 523 1063

Total Assets (mn):	31,100 USD	**PE Allocation (mn):**	3,421 USD (11.0%)
PE Investment Consultant:	Cambridge Associates		
Vintage Preferences:			
Likelihood of Buying:	Possible	**Timeframe:**	Within Next 12 Months

Buyer Preferences

Buyout	Venture	Real Estate	Distressed	F o Fs	Other	Opportunistic
		•				

As of Q3 2009, Harvard Management Company is likely to become an active buyer of private equity fund interests on the secondary market over the next couple of years.

In February 2010, the endowment was interested in entering the secondary market as a buyer of private equity real estate fund stakes. It does not have any specific preferences for its secondary market activity and will consider any interesting opportunities. It feels that it could purchase fund interests within the next 12 months.

Contact Name	Position	Tel	Email
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Healthcare of Ontario Pension Plan

Public Pension Fund

1 Toronto Street, Suite 1400, Toronto, Ontario, M5C 3B2, Canada
Tel: +1 416 369 9212 — Web: www.hoopp.com
Fax: +1 416 369 0225 — Email: clientservices@hoopp.com

Total Assets (mn):	29,793 CAD	**PE Allocation (mn):**	1,400 CAD (4.7%)
PE Investment Consultant:	In-House		
Vintage Preferences:	2002 - 2004		
Likelihood of Buying:	Highly Likely	**Timeframe:**	Immediately

Buyer Preferences

Buyout	Venture	Real Estate	Distressed	F o Fs	Other	Opportunistic
						•

North America	Europe	Asia & ROW
•	•	

Healthcare of Ontario Pension Plan (HOOPP) is an active participant on the secondaries market and, as of Q3 2009, it is looking to purchase fund interests immediately. The pension fund is looking to make such investments in order to take advantage of accelerated cash flows. The pension plan prefers to take part in strategic purchases. HOOPP does not have a specific fund type preference, but does seek US- and European-focused funds with a vintage of 2002, 2003 or 2004.

Contact Name	Position	Tel	Email
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Investors in Secondaries Funds

The private equity secondary market has drawn an increasing degree of attention from institutional investors over the past few years. Not only does it offer LPs a route to exit existing private equity investments, perhaps as part of a portfolio rebalancing exercise, but it also provides another method of accessing the asset class. Although some LPs have sought to take advantage of the potential for purchasing fund interests at discounts to the net asset value (NAV), others have turned to secondary fund of funds managers in order to tap this market.

In this section of the Review, we have assessed which investors are seeking to invest in secondaries funds, what is motivating these investors to make such investments and the level of investor appetite for secondaries funds in the year ahead.

Which Investor Types are Investing in Secondaries Funds?

The secondary market has attracted investment from a wide variety of institutional investors in private equity and the LPs in secondaries funds are no less diversified. Investor Intelligence profiles 589 investors that have either previously invested in private equity secondaries funds or are actively seeking to invest in funds of this type at present. This is an 8% increase on the 544 LPs last year that were showing an interest in secondaries funds. In addition, Real Estate Online tracks 76 investors that have an interest in investing in real estate secondaries funds.

As Fig. 16.1 illustrates, 28% of investors with a known interest in secondaries funds are public pension funds, showing that they are an important source of capital for these funds. In 2009, public pension funds accounted for 31% of all investors with a preference for investing in secondaries funds, evidence not that there has been a decline in interest in the sector from public pension funds, but that growing numbers of investors of other types are seeking to gain exposure to the secondary market through dedicated secondaries funds.

Other types of investor to show a particular interest in secondaries funds include family offices and foundations, which account for 13% of investors that have either previously invested in or are seeking to invest in secondaries funds, and private sector pension funds, which account for 12%.

Secondaries funds draw interest from LPs located across the globe. As shown in Fig. 16.2, North America accounts for just under half (48%) of investors that have an interest in secondaries funds, Europe for 42% and Asia and Rest of World for 10%.

Fig. 16.1: Breakdown of Investors with a Preference for Secondaries Funds by Type

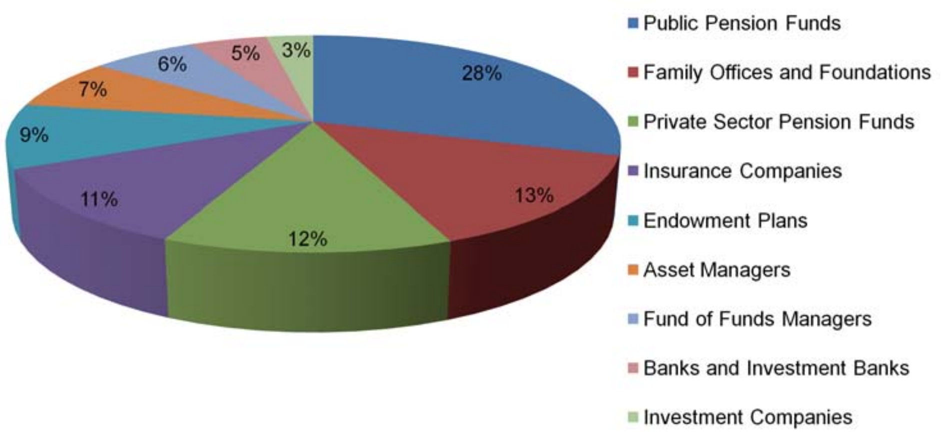
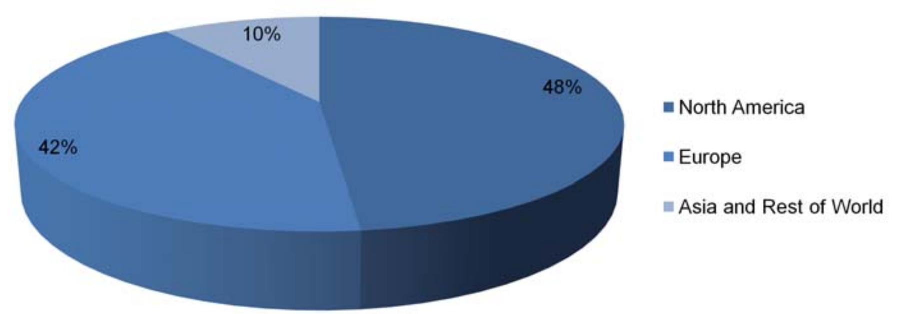


Fig. 16.2: Breakdown of Investors with a Preference for Secondaries Funds by Investor Location

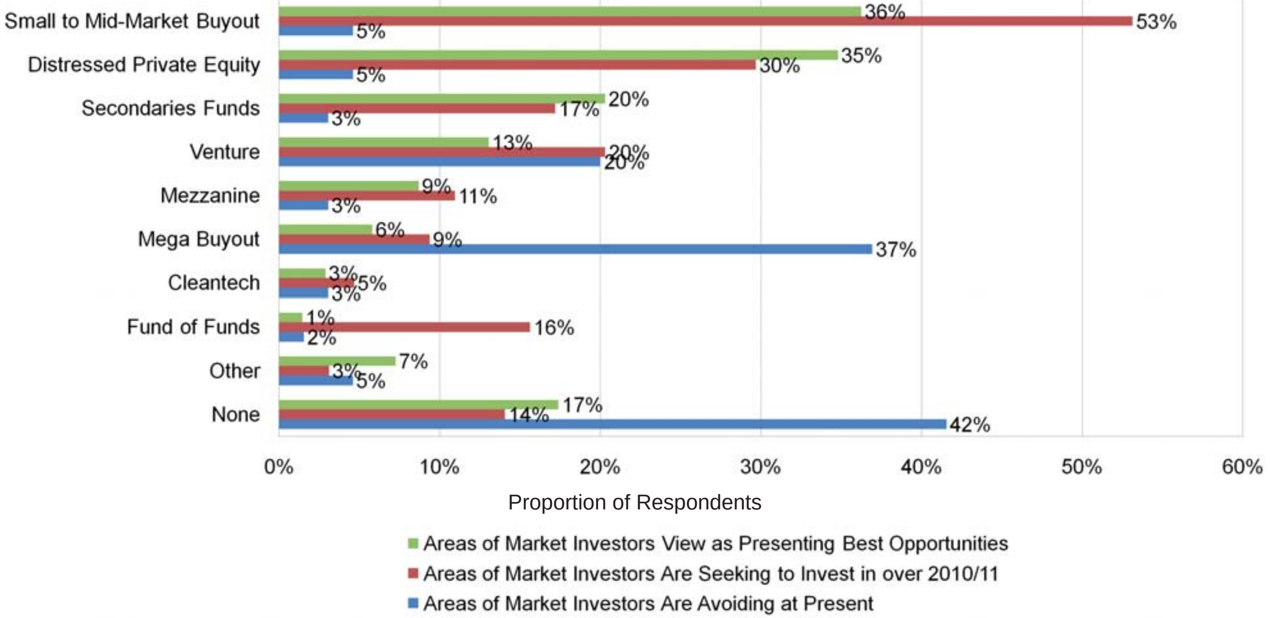


secondary market in 2010. There will also be a lot more transactions taking place this year – all those that were supposed to happen in 2009 will happen in 2010."

In December 2009, Preqin surveyed 100 institutional investors to ascertain their future plans for private equity investment. Investors were asked which areas of the private equity market they felt will be presenting the best opportunities in 2010 and were not prompted with any predefined answers. 20% of respondents cited secondaries funds as particularly attractive investments in 2010, making them the third most frequently named fund type after small to mid-market buyout and distressed private equity funds, as shown in Fig. 16.5. It is worth noting that investors were not asked specifically whether they found secondaries funds attractive. The results instead signify the areas of the market that investors themselves named and consequently this shows that secondaries funds are one of the fund types LPs are most interested in at present.

It is important to remember that many secondary fund of funds managers have a lot of dry powder at their disposal after few transactions closed in 2009, and this will mean that some investors will be intending to wait until their existing commitments to secondaries funds have been called up to a greater degree before making further commitments to vehicles targeting the sector. However, 17% of respondents to the survey named secondaries funds as a type of vehicle they would be looking to invest in during 2010, showing that capital will be available for managers seeking to raise new vehicles in the coming months. Just 3% stated that although in the past they would have considered investing in secondaries funds, they would not be looking to invest in these vehicles during the coming year.

Fig. 16.6: Investor Attitudes to Different Fund Types - December 2009



The results of the survey are fairly positive for fund managers seeking to raise fresh capital in the coming 12 months. Investor interest in the sector has remained strong and LPs, both those that are new to the asset class and those that are more experienced private equity investors, are continuing to show an appetite for these funds. However, with 31 secondaries funds on the road seeking a combined $18 billion, there will be significant competition for LP commitments and managers will need to ensure they target the right LPs and approach them in an appropriate way to increase their chances of successfully raising their funds in the year ahead.

AP-Fonden 3
Public Pension Fund

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Total Assets (mn): 206,500 SEK **PE Allocation (mn):** 9,912 SEK (4.8%)
RE Investment Consultant: Aberdeen Property Investors

PE Secondaries	•	RE Secondaries	

Sample Investments: ESD Fund IV (2008), GS Vintage Fund V (2008), GS Vintage Fund IV (2007), Newbury Equity Partners (2007), Lexington Capital Partners VI (2006), ESD Fund III (2004), Greenpark International Investors II (2004), GS Vintage Fund III (2004), Auda Secondary Fund (2003), Greenpark International Investors I (2002), GS Vintage Fund II (2001)

Contacts	Position	Tel	Email
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Bank Leumi Group
Bank

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Tel: +972 (0)3 5148 111 | Web: www.bankleumi.com
Fax: +972 (0)3 5148 656 | Email: pniot@bll.co.il

Total Assets (mn): 319,346 ILS **PE Allocation (mn):** 7,183 ILS (2.3%)
PE Investment Consultant: In-House
RE Investment Consultant: In-House

PE Secondaries	•	RE Secondaries	

Sample Investments: Coller International Partners V (2007)

Contacts	Position	Tel	Email
Daniel Bahar	Investment Manager	+972 (0)3 5141 238	danielb@leumico.co.il
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New Mexico State Investment Council
Sovereign Wealth Fund

41 Plaza la Prensa, Santa Fe, NM, 87507, US

Tel: +1 505 476 9500 | Web: www.sic.state.nm.us
Fax: +1 505 424 2510

Total Assets (mn): 12,875 USD **PE Allocation (mn):** 1,406 USD (10.9%)
PE Investment Consultant: New England Pension Consultants
RE Investment Consultant: Courtland Partners
General Investment Consultant: New England Pension Consultants

PE Secondaries	•	RE Secondaries	•

Sample Investments: Landmark Equity Partners XIV (2009), Landmark Real Estate Fund V (2005), Coller International Partners IV (2002), Landmark Equity Partners XI (2002)

Contacts	Position	Tel	Email
Gary Bland	State Investment Officer	+1 505 476 9500	gary.bland@state.nm.us
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Greg Kulka	Director, Private Equity	+1 505 476 9505	greg.kulka@state.nm.us
Scott Smith	Director, Real Estate Investments	+1 505 476 9500	scott.smith@state.nm.us
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State of Wisconsin Investment Board
Public Pension Fund

121 East Wilson Street, Madison, WI, 53703, US

Tel: +1 608 266 2381 | Web: www.swib.state.wi.us
Email: info@swib.state.wi.us

Total Assets (mn): 61,800 USD **PE Allocation (mn):** 4,453 USD (5.9%)
PE Investment Consultants: Hamilton Lane, StepStone Group
RE Investment Consultant: Courtland Partners
General Investment Consultant: Strategic Investment Solutions

PE Secondaries	•	RE Secondaries	•

Sample Investments: Pomona Capital VII (2008), Coller International Partners V (2007), Pomona Capital VI (2005), Coller International Partners IV (2002), Landmark Real Estate Fund IV (2001), Coller International Partners III (1999), Landmark Equity Fund VII (1997), Landmark Equity Partners IV (1994)

Contacts	Position	Tel	Email
Charles Carpenter	Managing Director, Private Markets	+1 608 266 3778	chuck.carpenter@swib.state.wi.us
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Strathclyde Pension Fund
Public Pension Fund

2nd Floor, Charlotte House, 78 Queen Street, Glasgow, Scotland, G1 3DN, UK

Tel: +44 (0)141 287 7373 | Web: www.spfo.org.uk
Email: spfo@glasgow.gov.uk

Total Assets (mn): 9,700 GBP **PE Allocation (mn):** 736 GBP (7.6%)
PE Investment Consultant: Hymans Robertson
General Investment Consultant: Hymans Robertson

PE Secondaries	•	RE Secondaries	

Sample Investments: Partners Group Secondary 2008 (2008), Pantheon Global Secondary Fund III (2006), Partners Group Secondary 2006 (2006), Pantheon Global Secondary Fund II (2004), Pantheon Global Secondary Fund (2000), Janus Participations (1992)

Contacts	Position	Tel	Email
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Contact Name	Position	Tel	Email
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OMERS

Public Pension Fund

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Tel: +1 416 369 2400 Web: www.omers.com
Fax: +1 416 360 0217

Total Assets (mn):	47,784 CAD		
PE Allocation (mn):	3,182 CAD (6.7%)	**PE Target (mn):**	4,778 CAD (10.0%)
PE Consultant:	In-House		
Likelihood of Selling:	Possible	**Timeframe:**	Within Next 12 Months

Seller Preferences:

Buyout	Venture	Real Estate	Opportunistic PE	Other

North America	Europe	Asia and RoW

Sample Investments: Baring Asia Private Equity Fund IV (2008), Cowen Healthcare Royalty Partners (2008), Exponent Private Equity Partners II (2008), Ontario Venture Capital Fund (2008), Asia Alternatives Capital Partners II (2007), Terra Firma Capital Partners III (2007), Williams Multifamily Acquisition Fund (2007), Asia Alternatives Capital Partners (2006), Charterhouse Capital Partners VIII (2006), Sagard Private Equity Partners II (2006), Texas Pacific Group Partners V (2006), Apax Europe VI (2005), Celtic House Venture Partners III (2005), J.L. Albright IV Venture Fund (2005), KKR European Fund II (2005), Tech Capital II (2005), Friedman Fleischer & Lowe Capital Partners II (2004), Hellman & Friedman V (2004), Ventures West 8 (2004), Celtic House Venture Partners II (2003), Evergreen IV (2003), Texas Pacific Group Partners IV (2003), Berkshire Fund VI (2002), Greenbriar Equity Fund (2001), Hines European Development Fund (2001), Kilmer Capital Fund (2001), North Castle Partners III (2001), Ripplewood Partners II (2001), Sagard Private Equity Partners (2001), TD Capital Canadian Private Equity Investors (2000)

As OMERS is looking to reduce its exposure to external GPs and increase its allocation to direct investments, it may consider selling several of its private equity fund interests on the secondary market. However, it will only consider doing so if pricing improves so it can receive suitable prices for its interests. The pension fund has not set a time frame to shift its exposure to direct investments.

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Opplysningsvesenets Fond

Government Agency

Postboks 535 Sentrum, Oslo, 0105, Norway
Tel: +47 23 08 15 00 Web: info.ovf-nett.no/ovf
Fax: +47 23 08 15 01 Email: ovf@ovf.no

Total Assets (mn):	1,500 NOK		
PE Allocation (mn):	150 NOK (10.0%)	**PE Target (mn):**	150 NOK (10.0%)
PE Consultant:	Credit Suisse Customized Fund Investment Group		
Likelihood of Selling:	Possible	**Timeframe:**	Within Next 12 Months

Seller Preferences:

Buyout	Venture	Real Estate	Opportunistic PE	Other
	•			•

North America	Europe	Asia and RoW
	•	

Sample Investments: Global Infrastructure Partners (2008), Carlyle Europe Partners III (2007), Verdane Capital VI (2007), Cubera Secondary Fund (2006), GS Infrastructure Partners I (2006), Storebrand International Private Equity VI (2006), NeoMed IV (2005), Nordea Private Equity II - Global Fund of Funds (2005)

As of February 2010, Opplysningsvesenets Fond is likely to sell private equity fund interests on the secondary market within the next 12 months. It is looking to sell Nordic venture capital fund interests on the secondary market to rebalance its portfolio. However, the government agency is very unlikely to sell a private equity real estate fund on the secondary market, unless an exceptional offer is made.

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PPM Managers

Asset Manager

1 New Fetter Lane, London, EC4A 1HH, UK
Tel: +44 (0)20 7822 1000 Web: www.ppmmanagers.com
Fax: +44 (0)20 7822 1001

Total Assets (mn):	1,000 EUR		
PE Allocation (mn):	700 EUR (70.0%)	**PE Target (mn):**	1,000 EUR (100.0%)
PE Consultant:	In-House		
Likelihood of Selling:	Possible	**Timeframe:**	Within Next 12 Months

Seller Preferences:

Buyout	Venture	Real Estate	Opportunistic PE	Other

North America	Europe	Asia and RoW

Sample Investments: Avigo SME Fund III (2008), Segulah IV (2008), India Value Fund II (2005), Segulah III (2004), Italian Private Equity Fund IV (2003), Innova/3 (2001), Suala Capital Fund (2001), Advantage Partners MBI Fund II (2000)

PPM Managers may sell private equity fund interests on the secondary market over the course of 2010/2011 should it encounter problems with liquidity. Should it sell, the asset manager would first target its fellow LPs in each fund as it is not keen to deal with specialist secondary fund of funds managers. It cannot say at this stage which fund stakes it would consider selling, but it would be more likely to sell well-funded positions in mature funds.

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Proton Bank

Bank

20 Amaliados & Eslin Street, Athens, 11523, Greece
Tel: +30 21 0697 0000 Web: www.protonbank.com
Fax: +30 21 0697 0111 Email: protonbank@proton.gr

Total Assets (mn):	400 EUR		
Likelihood of Selling:	Possible	**Timeframe:**	Within Next 12 Months

Seller Preferences:

Buyout	Venture	Real Estate	Opportunistic PE	Other
	•			•

North America	Europe	Asia and RoW
	•	

Sample Investments: 7L Capital Partners Emerging Europe (2006)

As of February 2010, Proton Bank was possibly going to sell some private equity fund interests if the right opportunity arose. It was looking to sell a venture capital fund with a focus on Eastern Europe, for strategic reasons.

Contact Name	Position	Tel	Email
Thanos Tsotsoros	Head of Investment Banking	+30 21 0697 0000	tt@proton.gr

America and 48% are based in Europe. Although just 2% of firms are headquartered in Asia and Rest of World, approximately 19% of intermediaries have at least one office in Asia and Rest of World, with China, Singapore, Japan, Australia and United Arab Emirates among the locations chosen by these firms.

In total, 37% of intermediaries have an office in more than one region, such as Palomar Private Equity, which is headquartered in Zurich and also has an office in Hong Kong. 17% have a presence in North America, Europe and Asia and Rest of World, enabling such firms to assist and bring together buyers and sellers around the world. Triago, for example, has offices in New York, Dubai and Paris.

Use of Secondary Market Intermediaries

For sellers on the secondary market, intermediaries clearly play an important role in the structuring of fund offerings, presenting portfolios so as to maximize the possibility of a good deal for the selling party, and the marketing fund offerings by making the market aware of the fund interests available.

Investors seeking to purchase stakes in private equity funds also benefit from the services offered by intermediaries. An intermediary's expertise and network can help buyers to identify and acquire stakes in funds that fit with their existing portfolio and strategy. They are also able to provide guidance regarding reasonable pricing and assistance in negotiations.

In order to get an idea of the proportion of secondary market buyers that use intermediaries, Preqin's Q1 2010 survey of secondary market participants asked investors how they would go about making a purchase on the secondary market. As shown in Fig. 21.4, 56% of buyers stated that they would use an intermediary when purchasing stakes on the secondary market. This method was surpassed only by the number of investors that said they would approach a GP when seeking to make a purchase, indicating that intermediaries acting in the secondary market are an important point of contact for buyers as well as sellers.

A number of respondents to the survey indicated that they would use other methods to approach a potential purchase. Of the buyers participating in the survey, 28% would seek advice from an investment consultant, 22% would approach another limited partner, nearly one-fifth would make use of an online platform such as Preqin's Secondary Market Monitor, and 19% were unsure or unable to answer. Intermediaries, therefore, not only play a primary role for buyers on the secondary market, but they complement other routes to market. The range of sources used by participants in the secondary market serves to highlight investors' need for information in a market that is often lacking in transparency.

The Clients of Intermediaries

Fig. 21.5 shows the proportion of intermediaries that represent various types of client. Private equity firms are the most common client type, with 35%

Fig. 21.2: Breakdown of Secondary Market Intermediaries by Number of Employees

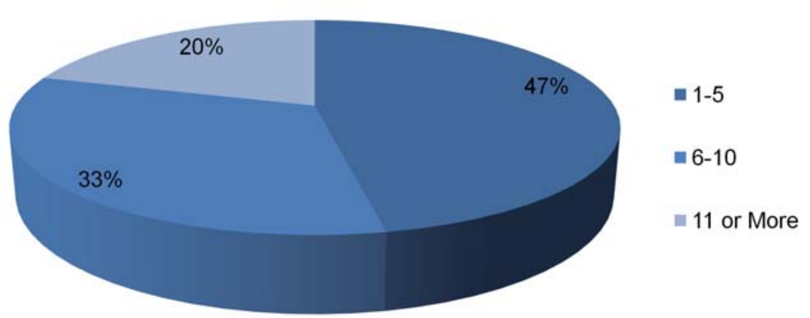
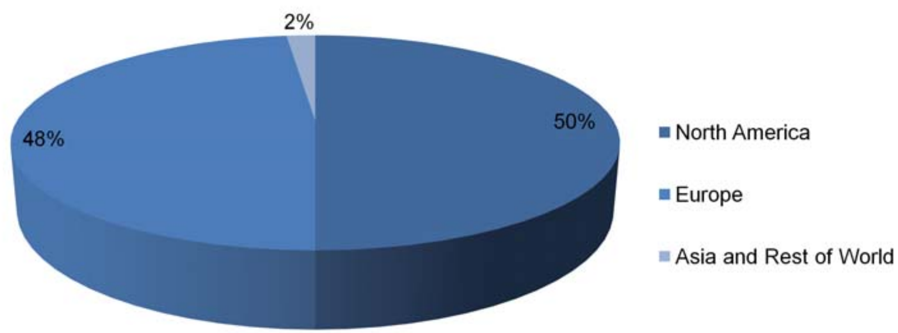


Fig. 21.3: Breakdown of Secondary Market Intermediaries by Location of Headquarters



Breslin

Gsteigstrasse 21, Erlenbach, 8703, Switzerland
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Fax: +41 (0)44 386 4022 Email: info@breslin.ch

Breslin began its activity as a secondary market intermediary in 2003, and provides strategic advice and support for secondary transactions. It covers buy-side and sell-side deals and will aid both LPs and GPs with their secondary market dealings. The firm does not have a preference for secondary market deal type and will willingly represent single fund interests as well as portfolios. It also offers various transaction procedures including complete and partial sales.

Breslin is open to representing clients of different sizes, types and geographies. Breslin covers the whole transaction, from due diligence to controlled auction of assets to portfolio management. It also aids the closing of the transaction and the transfer of the assets. The firm offers further services in private equity transactions, business development and corporate finance.

For 2010, Breslin expects the secondary market to be more conducive for sellers as 2009 was a dry year in terms of the number of completed transactions. It was a tough year due to the heavy discounts on the valuations of offerings which were brought forward. However, so far in 2010, these discounts have reduced by 15-20% and the gap between the bid and ask prices for offerings on the market are narrowing even more. Breslin expects there to be more sellers in the market along with a rise in the number of buyers, although the rise in sellers is expected to be proportionally smaller than the rise in the number of buyers.

Total Value of Secondary Transactions Represented (mn): 550 USD

Service Coverage				Location of Clients		
Portfolio	Sole Fund Interest	Structured Transactions	Partial Sale	N. America	Europe	RoW
•	•	•	•	•	•	•

Types of Clients Represented

Bank	•	Investment Bank	•
Corporate Investor	•	Private Equity Firm	•
Endowment Plan	•	Private Sector Pension Fund	•
Family Office / Foundation	•	Public Pension Fund	•
Fund of Funds	•	Other	•

Size of Fund Deals Represented

Less than $10mn	$10 - 99mn	$100 - 499mn	$500 - 999mn	$1bn +
•	•			

Name	Position	Tel	Email
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Credit Suisse Private Fund Group

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Fax: +1 212 325 6665

Credit Suisse's Private Fund Group (PFG) is a leading private equity advisory group focused on the sale of private equity fund interests both on a primary and secondary basis. The PFG has extensive relationships with both traditional and non-traditional secondary buyers, anchored by 24 coverage bankers globally and a wide array of leading GPs.

In terms of its secondary market services, PFG acts as an intermediary, providing both buy-side and sell-side services to its clients. It represents both LPs and GPs, providing advice on the sale of LP fund interests, direct asset interests and GP tail-end fund interests. The firm has extensive experience in executing a wide range of transactions, including the sale of single fund interests, portfolios or strips of portfolio interests, and structured transactions. PFG has a preference for transactions greater than USD 50 million, and will work on transactions in excess of USD 1 billion.

PFG operates on a global scale and represents clients of different types and sizes, including private equity and hedge fund firms, family offices, endowments, pension funds and corporate investors, amongst others. The firm views its role as a strategic advisor rather than simply a transaction administrator.

Service Coverage				Location of Clients		
Portfolio	Sole Fund Interest	Structured Transactions	Partial Sale	N. America	Europe	RoW
•	•	•	•	•	•	•

Types of Clients Represented

Bank	•	Investment Bank	•
Corporate Investor	•	Private Equity Firm	•
Endowment Plan	•	Private Sector Pension Fund	•
Family Office / Foundation	•	Public Pension Fund	•
Fund of Funds	•	Other	•

Size of Fund Deals Represented

Less than $10mn	$10 - 99mn	$100 - 499mn	$500 - 999mn	$1bn +
	•	•	•	•

Name	Position	Tel	Email
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Fidequity

58 Grosvenor Street, London, W1K 3JB, UK
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Email: london@fidequity.com

Fidequity began providing secondary market services in 2007 and aims to provide its clients with a range of solution-orientated services, supporting them with their private placement requirements for their secondary transactions. It covers a range of transaction procedures and specializes in executing structured transactions on behalf of its clients. As an intermediary, Fidequity represents both single fund interests and portfolios.

Fidequity represents clients of different sizes and types situated in North America, Europe and Rest of World. It provides specialist advice on all aspects of the secondary market including the restructuring of portfolios ranging from USD 10 million to USD 1 billion in size. Fidequity also supports clients that wish to actively manage their private equity holdings by advising them on viable strategies. The firm follows the industry standard of charging a percentage of the transaction as its fee.

As of February 2010, Fidequity believed that activity in the secondary market for LP interests would be relatively quiet until Q3 2010. Offering pricing will converge over the year, resulting in increased deal-flow and successful transactions. However, this is more likely to be a gradual increase in activity rather than a surge. Large portfolios of LP interests will continue to be difficult to sell given the inefficient process of completing a transaction. Over the next 12 months, Fidequity is aiming to carry out 20 secondary market transactions on behalf of its clients.

Total Number of Secondary Transactions Represented:	15
Total Value of Secondary Transactions Represented (mn):	1,000 USD

Service Coverage				Location of Clients		
Portfolio	Sole Fund Interest	Structured Transactions	Partial Sale	N. America	Europe	RoW
•	•	•	•	•	•	•

Types of Clients Represented			
Bank	•	Investment Bank	•
Corporate Investor	•	Private Equity Firm	•
Endowment Plan	•	Private Sector Pension Fund	•
Family Office / Foundation	•	Public Pension Fund	•
Fund of Funds	•	Other	•

Size of Fund Deals Represented				
Less than $10mn	$10 - 99mn	$100 - 499mn	$500 - 999mn	$1bn +
•	•	•	•	

Name	Position	Tel	Email
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YEN Management Consultants

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YEN Management Consultants' primary business areas are corporate financial services and risk management. The firm also acts as a secondary market intermediary, although this is not a core part of the firm's strategy. For its secondary intermediary services, it covers the sell-side of the transaction and provides its services to both GPs and LPs.

Historically, YEN Management Consultants has only represented single fund interests, but it would also consider whole portfolios if approached. It covers a number of transactions inclusive of complete and partial sales of interests, as well as structured transactions.

YEN Management Consultants has a relatively small client base in Asia. It also takes on Europe-based clients. The average size of the deals managed by the firm is between USD 10-20 million.

Total Number of Secondary Transactions Represented:	5

Service Coverage				Location of Clients		
Portfolio	Sole Fund Interest	Structured Transactions	Partial Sale	N. America	Europe	RoW
•	•	•	•		•	•

Types of Clients Represented			
Bank	•	Investment Bank	•
Corporate Investor	•	Private Equity Firm	•
Endowment Plan	•	Private Sector Pension Fund	•
Family Office / Foundation	•	Public Pension Fund	•
Fund of Funds	•	Other	•

Size of Fund Deals Represented				
Less than $10mn	$10 - 99mn	$100 - 499mn	$500 - 999mn	$1bn +
•	•			

Name	Position	Tel	Email
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