

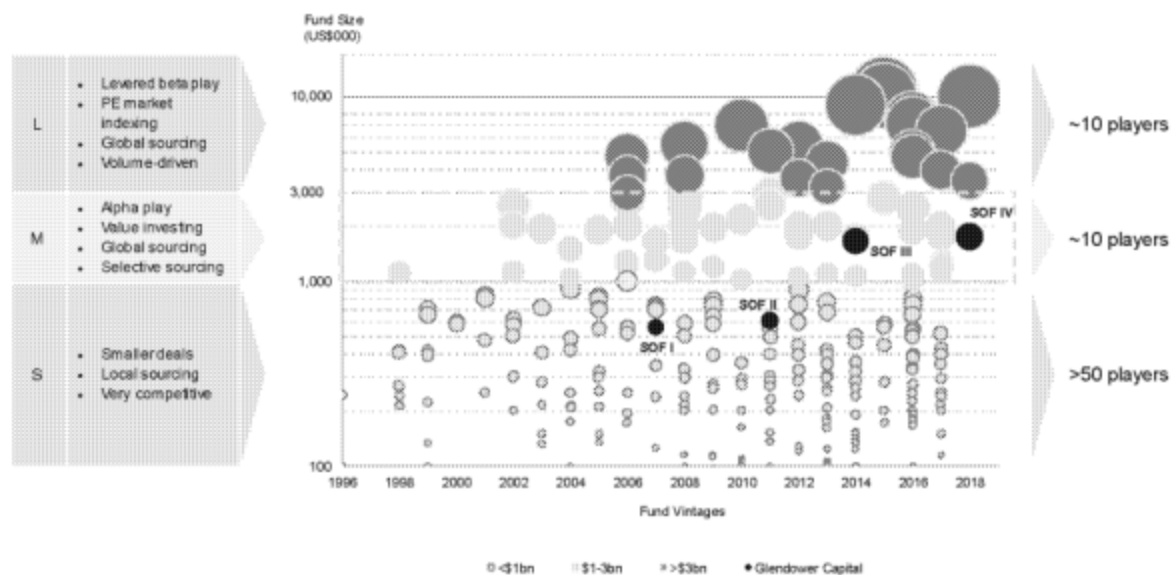
The Competitive Environment

The secondary market is made up of a range of funds targeting secondary opportunities varying in size from under US\$100 million up to the largest, at US\$10.8 billion, that closed in 2016.⁶⁷ Secondaries funds are further differentiated by their geographic focus and increasingly by their sourcing and investment strategy.

The Fund will be positioned in the mid-sized segment of the market, which the Manager estimates currently comprises secondaries funds between US\$1 billion and US\$3 billion in size. The Manager believes this is a particularly attractive segment of the market because funds in this size bracket are able to build diversified portfolios while also being extremely selective over which transactions to pursue.

In contrast, funds below US\$1 billion are forced to compete in the very competitive market for small fund interests, and are often focused on particular geographies or strategies, reducing such a fund's ability to mitigate risk through diversification. Conversely, funds with sizes of greater than US\$3 billion inevitably build extremely diversified portfolios which act as private equity indices and therefore have difficulty in generating out performance.

Exhibit 19: Glendower Competitive Landscape: Well Positioned to Pursue its Strategy⁶⁸



Sourcing strategies

Many of the larger funds source investments through auctions designed to sell large portfolios where the seller is looking to significantly reduce its private equity exposure. These sellers have historically included financial institutions that are compelled to sell by incoming regulations, and pension plans looking to actively manage their private equity portfolios. Financial institutions have now largely finished selling their portfolios, but pension plans remain large investors in private equity and will continue to sell periodically to manage their exposure.

Following the sale of these large portfolios, the mix of sellers has changed towards alternative asset managers, family offices and endowments and foundations. The Manager expects the Fund to be ideally positioned to selectively acquire some of the remaining assets and positions held by these potential sellers. These transactions tend to be more complicated to execute or less conventional in asset type (real estate, infrastructure, mezzanine and special situations). The Manager's expertise in structuring relatively complex transactions, together with its target deal size of under US\$100

⁶⁷ Source: Glendower Capital market intelligence.

⁶⁸ Source: Preqin database and Glendower Capital's own analysis.