

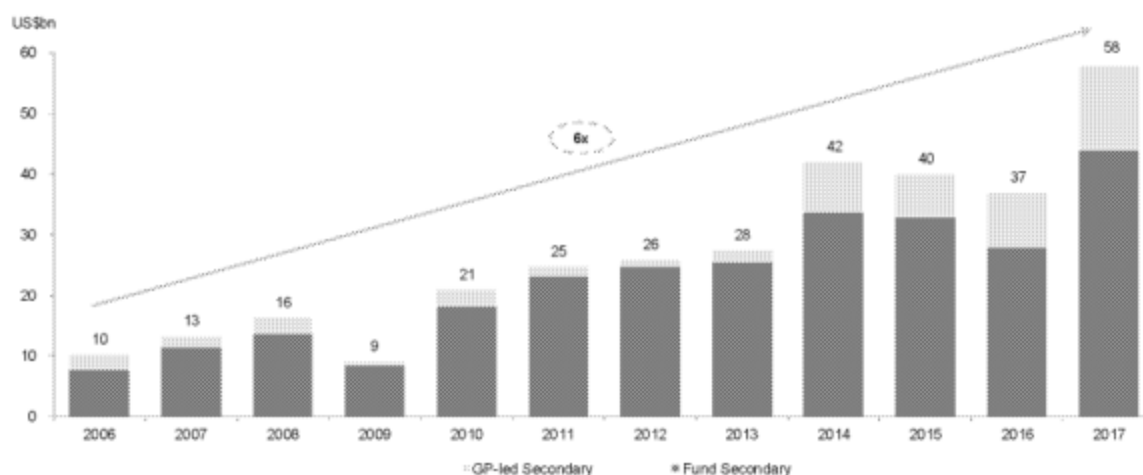
Secondary market overview

The secondary private equity market has expanded and evolved dramatically over the last two decades. The market is large, dynamic and acknowledged by private equity firms and limited partners alike as a liquidity enabler for private equity investors globally. In its early years, the secondary market was typically a much more niche market and limited to the sale and purchase of limited partnership interests in private equity funds. Today, the market has expanded to include bespoke liquidity solutions such as LP tenders, GP recapitalizations and structured and hybrid transactions. At the same time, the global private equity market has increased significantly to US\$2.8 trillion.⁴⁹ The expansion of secondary solutions and a large, growing primary private equity market have propelled the secondary market to record volumes in recent years.

Over the previous three years the secondary market has consistently transacted an average of US\$40 billion a year and in 2017 showed another significant jump in volume to US\$58 billion.⁵⁰ Glendower believes that the record volumes are being driven primarily by: (i) increases in the number of transactions, and (ii) a greater number of small to medium-sized deals transacted by a diverse set of participants. Glendower expects that many of the critical drivers of volumes over the last few years, such as the growth of GP-led Secondaries and active portfolio management by investors, will continue to underpin the secondary market and represent mainstay sources of supply in this dynamic market.

Glendower believes that the fundamental drivers of supply remain intact and future market activity will be driven by a number of factors, including a stable pricing environment, continued prominence of GP-led Secondaries and healthy buyer demand. Active portfolio management via LP portfolio sales represented the majority of market volumes in 2017 and this trend should continue with sellers actively engaging in the market for a variety of reasons, including: (i) change in strategy, (ii) portfolio diversification, (iii) liquidity issues and (iv) tax planning. GP-led Secondaries now account for a significant amount of volume in the secondary market and contributed US\$14 billion⁵¹ in 2017 (24% of total volume). Glendower expects this once-emerging trend to now be a steady source of supply as transaction structures and market participants continue to evolve and mature.

Exhibit 8: PE Secondary Market Volumes 2006 – 2017⁵²



The volume of private equity assets has grown significantly as more investors have entered the asset class, existing investors have increased allocations to private equity and larger commitments of capital have been made to increasingly larger investment funds. According to Preqin, the global private equity AUM in 1H17 amounts to US\$2.8 trillion of which

⁴⁹ Source: 2018 Preqin Global Private Equity & Venture Capital Report.

⁵⁰ Source: Greenhill Secondary Pricing Trends & Analysis, January 2018.

⁵¹ Greenhill Secondary Pricing Trends & Analysis, January 2018.

⁵² Glendower Capital analysis based on Greenhill Secondary Market Trends & Outlook, January 2018; Greenhill GP Solutions Discussion Materials, May 2017; and Dow Jones Private Equity Analyst Guide to Secondary Market, June 2017.