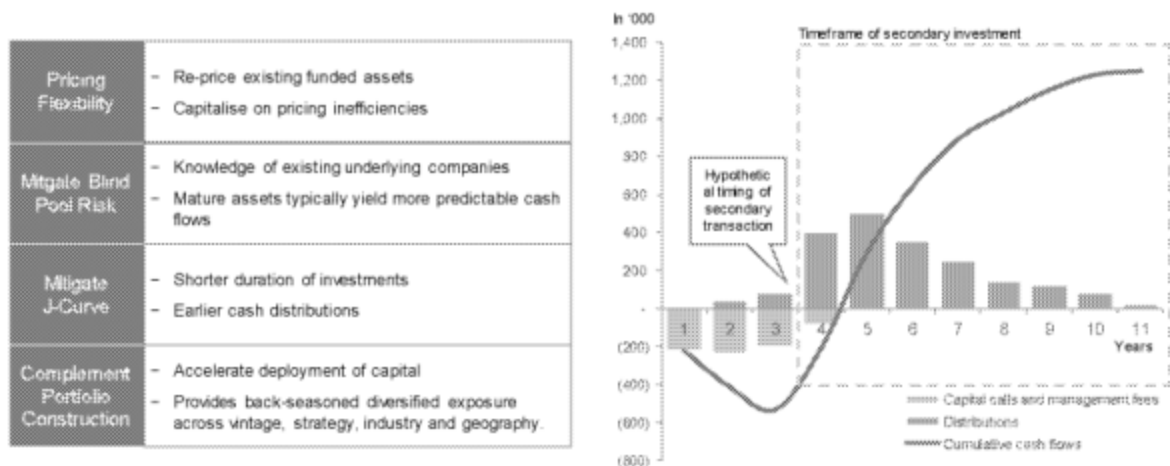


Attractiveness of Secondary Opportunities for Investors

The Manager believes that secondary investments can form an important element of a diversified private equity portfolio:

- Secondaries complement investment portfolio construction: a secondary investment program can be designed to complement a primary investment program by filling the gaps in an investor's investment portfolio and providing exposure to older vintages or different strategies or geographies.
- Secondaries provide the opportunity to pursue an attractive risk-reward profile.

Exhibit 7: Attractiveness of Secondary Opportunities for Investors⁴⁸



More specifically, the Manager believes that secondary investments offer the potential for an attractive risk-reward profile due to:

- Pricing flexibility: capacity to re-price existing assets to reflect current performance and economic environment and to opportunistically target price inefficiencies resulting from market dislocation and supply-demand imbalances in the private equity market.
- Mitigation of blind pool risk: a secondary manager is typically able to analyze existing assets and will therefore have greater visibility on cash-flows.
- Mitigation of J-curve effect: typically secondary investments are drawn down more quickly and return capital more quickly than primary funds and therefore suffer less from the J-curve effect.

Secondary Market Investment Opportunity

Introduction

Fundamentally, private equity assets – when held through funds, funds of funds, feeder funds or other similar holding structures – are illiquid investments with long holding periods (typically 10 to 12 years for fund interests) during which time investors have no, or limited, rights to liquidity and investors receive limited information about the performance of the underlying portfolio companies. An investor in such a structure that requires liquidity prior to the sale of the underlying assets by the fund has limited alternatives to selling the interest on the secondary market.

A range of dynamics in the private equity industry, such as an evolving regulatory environment, ongoing limited partner portfolio management becoming standard and a rising number of GP-led Secondaries, can create attractive opportunities to purchase private equity assets on a secondary basis.

⁴⁸ This information is for discussion purposes. The graph is an example for illustrative purposes and the actual cash flow profile of any given investment may vary substantially.