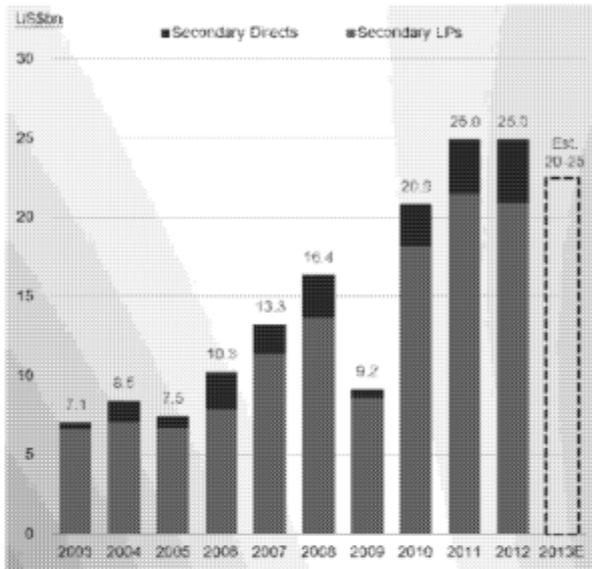


the crisis in 2009, volumes shrank as buyers and sellers were unable to agree on pricing given the uncertainty in the economic outlook.

In 2010, the market shifted from the 2009 "distressed seller" theme to a durable "displaced assets" theme, with 2010 and 2011 both setting records for deal volume and 2012 matching the strong 2011. With global economic uncertainty becoming the norm, and many of the seller-specific dynamics (outlined below) still present, various types of sellers have turned to the secondary market in recent years. As a result, the Manager expects robust transaction volumes throughout the life of the Fund.

Exhibit 6: PE Secondary Transaction Volume 2003 – 2013⁴⁹



Source: DB PE based on Cogent Secondary Pricing Trends & Analysis and UBS Outlook 2013, both January 2013.

Seller-specific dynamics

Generally, sellers on the secondary market can be categorised according to their reason for selling as '*Regulatory Sellers*', '*Active Portfolio Managers*', '*Motivated Sellers*' and '*GP Sellers*'.

The increase in the number of financial institutions and insurance companies that have become compelled to sell their private equity portfolios to comply with new Basel III, Solvency II and Volcker regulations has resulted in the rise of '*Regulatory Sellers*'. These institutions have sold significant portions of their private equity portfolios over the last few years, frequently in the form of large transactions. However, with an estimated US\$100.0 billion⁵⁰ of private equity exposure remaining on their balance sheets, the Manager expects that these organisations will continue to be significant sellers in coming years, particularly as dates for compliance with new regulations approach.

Further pressures have led to '*Active Portfolio Managers*' and '*Motivated Sellers*' that utilise the secondary market to address their desire to reduce their number of Fund Sponsor relationships, to rebalance their portfolios (including selling off boom year, tail-end and 'zombie' funds), to address liquidity needs and to continue to de-leverage. The desire to sell tail-end and 'zombie' funds has produced the '*GP Seller*' category described later.

⁴⁹ DB PEPM based on Cogent Secondary Pricing Trends & Analysis and UBS Outlook 2013, both January 2013.

⁵⁰ Source: UBS Outlook 2013, January 2013.