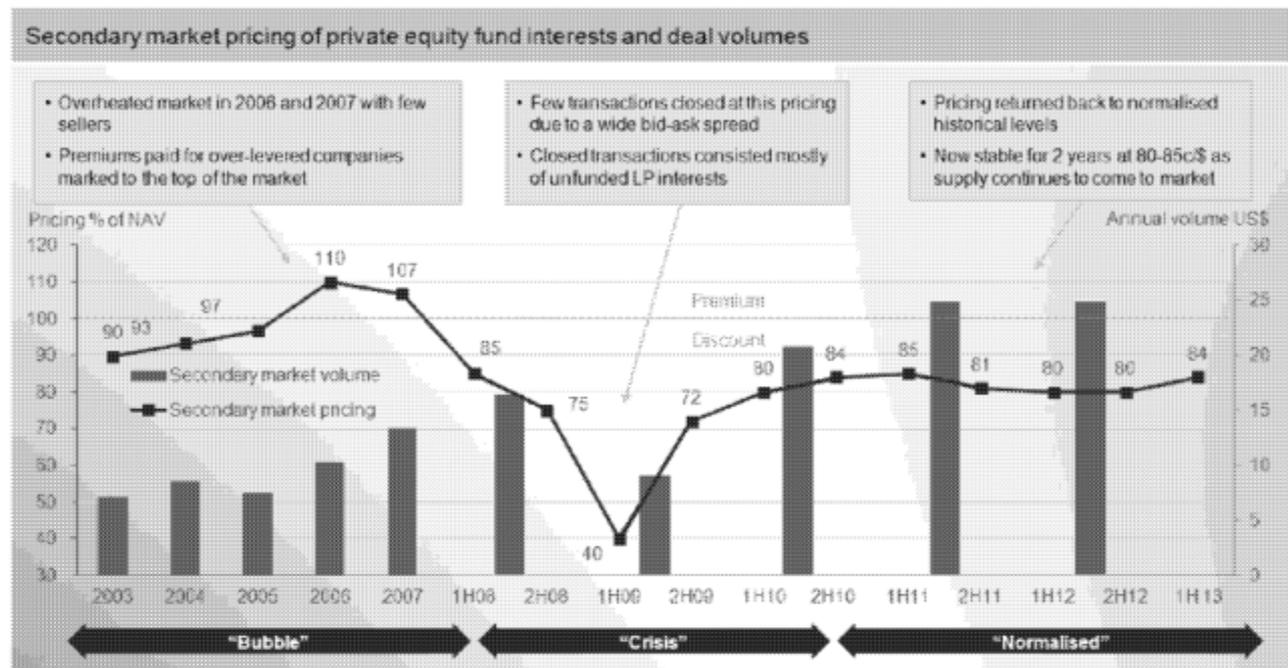


were very low because the high discount to already low net asset values being demanded by buyers did not match seller expectations, even those sellers in a certain amount of distress. Since then, from 2010 to today, pricing has recovered to within the transactable range:

Exhibit 10: Secondary Market Pricing



Source: DB PI analysis and estimates based on Goggin's Secondary Pricing Trends Analysis, July 2013.

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\$7.1 billion, that closed in 2011. Funds are further differentiated by their geographic focus and increasingly by their sourcing and investment strategy.

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 are typically financial institutions that are compelled to sell by incoming regulations, or pension plans looking to actively manage their private equity portfolios. Whilst many of these transactions have already taken place, it is estimated that US\$100 billion of private equity assets remain on bank balance sheets representing 6% of private equity assets globally⁶⁶. Pension plans also remain large investors in private equity and will continue to sell periodically to manage their exposure.

Following the sale of these large portfolios, 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 million, make it a potential buyer of choice in these transactions.

⁶⁶ Source: UBS Outlook 2013, January 2013.