

# Executive Summary

## Overview

Secondary Opportunities Fund III, LP ("**SOF III**" or the "**Fund**") is being formed by the private equity business of Deutsche Bank AG ("**DB PE**"). The Fund is seeking US\$1 billion in total commitments with the aim of generating attractive risk adjusted investment returns, principally in the form of capital appreciation, through the acquisition, holding and disposition of a diverse portfolio of investments including buyout, growth capital, venture capital, special situations, turnaround, mezzanine, distressed opportunities, real estate and infrastructure assets on the secondary market. The Fund will target globally, but primarily in the US and Europe (i) the acquisition of interests in established generalist and specialist private equity fund structures (including funds of funds, feeder funds and other similar structures) on the secondary market (each such fund or structure, a "**Fund Secondary**"), (ii) the acquisition of investment interests in portfolios of private equity assets on the secondary market (each such investment interest, a "**Direct Secondary**"), and (iii) co-investments in individual portfolio companies alongside private equity fund sponsors (each such co-investment, a "**Co-Investment**").

SOF III will be the third dedicated secondary fund formed by DB PE. The Fund will be managed by Deutsche Alternative Asset Management (Global) Limited (the "**Manager**") and its experienced investment team (the "**Secondary Team**") led by Carlo Pirzio-Biroli and Charles Smith (the "**Principals**") who co-founded the DB PE secondaries investment programme in 2006. Prior to establishing the current secondaries investment programme, the Principals were involved, from 2003 to 2006, in the restructuring and wind down of Deutsche Bank's €5.1 billion proprietary private equity portfolio.<sup>1</sup>

As of September 30, 2013, DB SOF<sup>2</sup>, the initial secondary fund that was formed in 2006 and closed in 2007 with a US\$565 million pool of commitments, has generated top decile performance<sup>3</sup> in the 2006 vintage peer group, with a 1.86x net TVPI (Total Value to Paid-in Capital), 25.3% Net IRR (Internal Rate of Return) and a 1.16x net DPI (Distributions to Paid-in Capital). DB SOF D<sup>4</sup>, the top-up secondary fund that was formed in 2010 with a \$168 million pool of commitments, has generated a 2.15x net TVPI, 35.5% Net IRR and a 0.90x net DPI. DB SOF II<sup>5</sup>, the second secondary fund that was formed in 2011 with a US\$614 million pool of commitments, has generated a 1.34x net TVPI, a 32.4% Net IRR and a 0.10x net DPI.<sup>6</sup>

Consistent with the DB SOF II investment strategy, the Fund intends to pursue smaller transactions ranging from approximately US\$5 million to US\$100 million in size whilst also opportunistically participating in larger transactions. With access to the proprietary networks of both DB PE and the wider global Deutsche Bank platform,<sup>7</sup> the Manager believes it

<sup>1</sup> The Deutsche Bank proprietary private equity restructuring took place between 2003 and 2006. Carlo Pirzio-Biroli and Charles Smith played a role alongside other Deutsche Bank colleagues in the transactions that contributed to the disposition of Deutsche Bank's proprietary private equity portfolio. Carlo Pirzio-Biroli and Charles Smith were not involved in all such transactions and the efforts described in this Memorandum in respect of the proprietary private equity restructuring are attributable to the whole Deutsche Bank team rather than any individual within it.

<sup>2</sup> DB SOF is a pool of capital dedicated to the secondary market, closed in 2007, which was structured through three separate investment vehicles, DB Secondary Opportunities Fund A, L.P. ("**Fund A**"), DB Secondary Opportunities Fund B, L.P. ("**Fund B**") and DB Secondary Opportunities Fund C, L.P. ("**Fund C**"), collectively "**DB SOF**".

<sup>3</sup> Source: Cambridge Associates Secondaries Benchmark statistics as of June 30, 2013 for 2006 vintage funds. This information reflects a comparison of DB SOF performance against one benchmark only. DB SOF performance may differ when compared to other benchmark data. DB SOF performance is not included in the data set used to calculate the benchmark data.

<sup>4</sup> DB Secondary Opportunities Fund D, L.P. ("**DB SOF D**") is a pool of capital dedicated to the secondary market, closed in 2010. DB SOF D is a Euro denominated fund. US\$ values have been converted at the September 30, 2013 rate of 1.35370.

<sup>5</sup> DB Secondary Opportunities Fund II, LP ("**DB SOF II**") is a pool of capital dedicated to the secondary market that held its first closing in 2011.

<sup>6</sup> The performance figures have not been audited and are based on the unaudited aggregated performance results of DB SOF, DB SOF D and DB SOF II, collectively the "**DB Secondaries Funds**", as of September 30, 2013 and should be read and reviewed in conjunction with Appendix 5: *Important Performance Information* which sets forth, amongst other things, important information regarding the performance described above. Gross returns are gross of fees, expenses and carried interest, which are not charged at the investment level. Investors should consult with their own advisors as to the appropriate factors to be considered in evaluating this information. Past performance of the DB Secondaries Funds is not a prediction of their future performance or that of the Fund.

<sup>7</sup> Subject to applicable regulations, Deutsche Bank's internal policies and procedures and contractual limitations.