Although secondary volume was reported to be down in the first half of 2013, Setter Capital witnessed one of its strongest starts, intermediating $2.1 billion in secondary transactions. This inconsistency prompted us to conduct a survey of all the major buyers to try to ascertain, straight from the source, the most accurate volume figures and forecasts for the 2013 secondary market.

In late August we approached over 100 of the most active secondary buyers with a seven question survey covering H1 deal volume, investment focus and estimations for H2 activity. We were pleased by the general willingness of industry players to share their firsthand experience, with roughly 45% of the most active buyers responding (see Page 2 for a partial list of participants). Many of these buyers were eager to hear the results, as they too believe the secondary market has been strong in 2013.

The Following are the Findings of the Survey:

First half of 2013

- **Total secondary market volume for the first half of 2013 was $15 billion**. We arrived at this figure by pro-rating the $6.7 billion total H1 secondary volume figure reported by survey participants to the entire universe of active buyers including those who did not respond. This number may in fact be low as we did not include more than 1000 opportunistic and non-traditional buyers in this study, whose activity as a whole may be significant[1].

- **Market volume of direct secondaries for the first half of 2013 was $3.5 billion** (~23% of total volume). Direct secondaries include fund recaps, zombie funds, purchase of single minority stakes, etc.

- **Market volume of real estate secondaries for the first half of 2013 was $3 billion** (~20% of total volume), while the secondary markets for hedge funds and infrastructure funds were excluded from the survey.

- 59% of participants completed at least as many or more secondary transactions by volume in the first six months of this year as compared to the first six months of 2012. However, when looking at just the larger buyers (>$200 million in H1 volume), 75% completed at least as many or more secondaries by volume this year compared to last.

- Those that participated in the survey completed approximately 253 transactions in the first six months of this year, suggesting 560 were done across the entire market, with an average size of approximately $25 million.

[1] Further substantiating this estimate – of the 10 largest secondary funds, only 5 participated, of the over $3 billion in secondary transactions reported in the press for H1, only $850 million was completed by the survey respondents and of the $2.1 billion Setter Capital completed, only $1.1 billion was completed by the survey respondents. We also do not believe there was a selection bias as many respondents reported zero volume, including one of the top five global buyers.

Second half of 2013 - Projections

- Respondents projected their volume in the second half would be 30% higher than in the first half of 2013. Thus, we project that **secondary market volume in the second half will be $18.5 billion**.

Full year 2013 – Volume and Strategy

- The survey results suggest that **total secondary market volume for full year 2013 will be $34 billion** (addition of the H1 and H2 numbers above). Again, this does not take into account volume done by opportunistic / non-traditional buyers.

- Approximately one third of the participants broadened or plan to broaden their secondary focus in 2013 to include buying other alternative investment fund types (e.g. infrastructure, real estate, portfolios of direct, etc.). None of the biggest respondents planned to broaden their mandate, reflecting that many already buy across most alternative asset categories.

Conclusion:

These survey results are consistent with the vibrant secondary market we are witnessing. As this is the first year we have done this survey we cannot conclude that volume has risen relative to prior years, but it does appear that the market in 2013 is much larger than was previously assumed.

We expect the market to continue to grow as more buyers and sellers enter, and existing participants increase the scope and volume of their activities.

Partial List of Participants

17Capital	NewGlobe Capital
Abbott Capital	Newquest Capital Partners
Alpinvest	OPTrust
Adams Street Partners	Orix Corp.
Allied Zurich	Pictet
Arcano Capital	PineBridge Investments
Bank of America Merrill Lynch	Pomona Capital
CPPIB	Portfolio Advisors
HarbourVest Partners	Siguler Guff
Industry Ventures	SL Capital Partners
Landmark Partners	StepStone Group
Mass PRIM	Verdane Capital
Mesirow Financial Services	Vintage Ventures
Neuberger Berman	W Capital Partners