

# Setter

## The 30 Most Sought-After Managers

US Middle Market LBO - Q3 2017

First in the Secondary Market.

# Introduction

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The 'Most Sought-After Manager Rankings' are published by Setter on a quarterly and semi-annual basis to capture the ebb and flow of secondary demand across various fund strategies and geographies.

The rankings are largely based on the Setter Liquidity Rating, which assigns funds a rating of Excellent, Very Good, Good or Unrated depending on the number of secondary buyers that want to buy and/or have recently priced a given fund. Please see Definitions at the end of this report for more details.

The number of interested buyers for a given fund are determined by Setter's team of professionals who passionately track the ever changing shortlists and demand of over 1300 secondary buyers both directly and via [SecondaryLink.com](http://SecondaryLink.com), where buyers can enter their shortlists and connect with agents and access deals through the Deal Section.

From a primary perspective, the 'Most Sought-After Manager Rankings' provide a unique perspective as strong secondary market demand suggests a fund manager is popular among LPs and low secondary market demand may signal diminishing market sentiment and additional future liquidity risk.

We hope you enjoy!

# The 30 Most Sought-After Managers on the Secondary Market

Strategy: US Middle Market LBO - Q3 2017

| Rank | Prior Rank | Fund Family  | Setter Liquidity Rating | Prime Buyers | First Vintage | Funds in Fund Family | Latest Closed funds  | Currency   | Fund Size      | Vintage      |
|------|------------|--|-------------------------|--------------|---------------|----------------------|--|------------|----------------|--------------|
| 1    | —          | 1 <a href="#">ABRY</a>                                       | Excellent               | 69           | 1989          | 8                    | ABRY VIII<br>ABRY VII  | USD<br>USD | 1,900<br>1,600 | 2014<br>2011 |
| 2    | —          | 2 <a href="#">HIG Capital</a>                                | Excellent               | 49           | 1993          | 7                    | H.I.G. Middle Market LBO Fund II<br>HIG Capital Partners V               | USD<br>USD | 1,750<br>1,000 | 2014<br>2013 |
| 3    | —          | 3 <a href="#">Wellspring Capital Management</a>              | Very Good               | 37           | 1996          | 5                    | Wellspring Capital Partners V<br>Wellspring Capital Partners IV          | USD<br>USD | 1,200<br>1,010 | 2011<br>2006 |
| 4    | —          | 4 <a href="#">Charlesbank Capital Partners</a>               | Very Good               | 32           | 1998          | 5                    | Charlesbank Equity Fund VIII<br>Charlesbank Equity Partners VII          | USD<br>USD | 1,750<br>1,500 | 2014<br>2009 |
| 5    | ▲          | 7 <a href="#">Catterton Partners</a>                         | Very Good               | 30           | 1989          | 7                    | Catterton Partners VII<br>Catterton Partners VI-B                        | USD<br>USD | 1,600<br>200   | 2013<br>2010 |
| 6    | ▲          | 18 <a href="#">Snow Phipps Group (SPG)</a>                   | Very Good               | 29           | 2005          | 3                    | Snow Phipps Fund III<br>Snow Phipps Fund II                              | USD<br>USD | 810<br>844     | 2016<br>2010 |
| 7    | ▼          | 5 <a href="#">Riverside Capital Appreciation Fund (RCAF)</a> | Very Good               | 28           | 1995          | 10                   | Riverside Micro-Cap Fund IV<br>Riverside Micro-Cap Fund III              | USD<br>USD | 650<br>350     | 2016<br>2014 |
| 8    | —          | 8 <a href="#">Littlejohn &amp; Co.</a>                       | Very Good               | 28           | 1997          | 6                    | Littlejohn Fund V<br>Littlejohn Fund IV                                  | USD<br>USD | 2,000<br>1,340 | 2013<br>2010 |
| 9    | ▲          | 22 <a href="#">Sterling Group Partners</a>                   | Very Good               | 27           | 2001          | 4                    | Sterling Group Partners IV<br>Sterling Group Partners III                | USD<br>USD | 1,250<br>820   | 2014<br>2010 |
| 10   | ▼          | 7 <a href="#">Water Street Capital</a>                       | Very Good               | 26           | 2006          | 3                    | Water Street Healthcare Partners III<br>Water Street Capital Partners II | USD<br>USD | 753<br>650     | 2013<br>2008 |
| 11   | ▲          | 30 <a href="#">Parthenon Capital</a>                         | Very Good               | 25           | 1998          | 5                    | Parthenon Investors V<br>Parthenon Investors IV                          | USD<br>USD | 1,000<br>700   | 2016<br>2012 |
| 12   | ▲          | 22 <a href="#">LLR Partners</a>                              | Very Good               | 25           | 2000          | 5                    | LLR Equity Partners IV<br>LLR Equity Partners III                        | USD<br>USD | 950<br>800     | 2014<br>2008 |
| 13   | ▼          | 9 <a href="#">Avista Capital Partners</a>                    | Good                    | 39           | 2006          | 3                    | Avista Capital Partners III<br>Avista Capital Partners II                | USD<br>USD | 816<br>1,770   | 2011<br>2008 |
| 14   | ▼          | 10 <a href="#">JLL Partners</a>                              | Good                    | 36           | 1991          | 7                    | JLL Partners Fund VII<br>JLL Partners Fund VI                            | USD<br>USD | 1,000<br>807   | 2014<br>2009 |

# The Top 30

| Rank | Prior Rank | Fund Family  | Setter Liquidity Rating | Prime Buyers | First Vintage | Funds in Fund Family | Latest Closed funds   | Currency   | Fund Size      | Vintage      |
|------|------------|--|-------------------------|--------------|---------------|----------------------|---|------------|----------------|--------------|
| 16   | ▼ 11       | <a href="#">MidOcean Partners</a>                  | Good                    | 32           | 1999          | 4                    | MidOcean Partners Fund III<br>MidOcean Partners Fund II                                     | USD<br>USD | 1,250<br>450   | 2007<br>2005 |
| 16   | ▼ 13       | <a href="#">Sterling Partners</a>                  | Good                    | 32           | 2002          | 5                    | Sterling Capital Partners IV<br>Sterling Partners - Small Market Growth 2009                | USD<br>USD | 917<br>254     | 2012<br>2009 |
| 17   | ▼ 13       | <a href="#">Lightyear Capital</a>                  | Good                    | 31           | 2001          | 4                    | Lightyear Fund IV<br>Lightyear Fund III   | USD<br>USD | 846<br>954     | 2016<br>2011 |
| 18   | ▼ 14       | <a href="#">Nautic Partners</a>                    | Good                    | 30           | 2000          | 4                    | Nautic Partners VIII<br>Nautic Partners VII   | USD<br>USD | 900<br>600     | 2016<br>2013 |
| 19   | ▼ 15       | <a href="#">Accel-KKR Capital Partners</a>         | Good                    | 29           | 2000          | 5                    | Accel-KKR Capital Partners V<br>Accel-KKR Capital Partners IV                               | USD<br>USD | 1,300<br>900   | 2015<br>2013 |
| 20   | ▼ 17       | <a href="#">Vestar</a>                             | Good                    | 29           | 1988          | 6                    | Vestar Capital Partners VI<br>Vestar Capital Partners V                                     | USD<br>USD | 804<br>3,650   | 2013<br>2005 |
| 21   | ▲ 30       | <a href="#">Monomoy Capital Partners</a>           | Good                    | 24           | 2006          | 3                    | Monomoy Capital Partners III<br>Monomoy Capital Partners II                                 | USD<br>USD | 740<br>420     | 2015<br>2011 |
| 23   | ▼ 17       | <a href="#">Riverside Partners</a>                 | Good                    | 24           | 2000          | 3                    | Riverside Partners V<br>Riverside Partners IV   | USD<br>USD | 561<br>406     | 2013<br>2009 |
| 23   | ▲ 25       | <a href="#">Greenbriar Equity</a>                  | Good                    | 24           | 2001          | 3                    | Greenbriar Equity Fund III<br>Greenbriar Equity Fund II                                     | USD<br>USD | 1,090<br>1,020 | 2013<br>2007 |
| 24   | ▼ 19       | <a href="#">KRG Capital</a>                        | Good                    | 24           | 1999          | 5                    | Mountaingate Capital Fund I<br>KRG Capital Fund IV  | USD<br>USD | 395<br>1,960   | 2017<br>2008 |
| 25   | ▲ >30      | <a href="#">American Industrial Partners (AIP)</a> | Good                    | 23           | 1989          | 6                    | American Industrial Partners Capital Fund VI<br>American Industrial Partners Capital Fund V | USD<br>USD | 1,800<br>700   | 2015<br>2011 |
| 26   | ▼ 20       | <a href="#">Spectrum Equity Investors</a>          | Good                    | 23           | 1994          | 7                    | Spectrum Equity Investors VII<br>Spectrum Equity Investors VI                               | USD<br>USD | 1,000<br>680   | 2014<br>2010 |
| 27   | ▲ >30      | <a href="#">Cortec Group Inc</a>                   | Good                    | 23           | 1990          | 6                    | Cortec Group Fund VI<br>Cortec Group Fund V   | USD<br>USD | 1,100<br>620   | 2015<br>2012 |
| 28   | ▼ 23       | <a href="#">Kohlberg &amp; Company</a>             | Good                    | 23           | 1988          | 8                    | Kohlberg Investors VIII<br>Kohlberg Investors VII   | <br>USD    | 2,200<br>1,600 | 2017<br>2012 |
| 29   | ▼ 26       | <a href="#">Weston Presidio</a>                    | Good                    | 23           | 1992          | 5                    | Weston Presidio V<br>Weston Presidio IV   | USD<br>USD | 1,000<br>1,300 | 2005<br>2000 |
| 30   | ▼ 28       | <a href="#">RoundTable Health Care Partners</a>    | Good                    | 22           | 2001          | 4                    | RoundTable Healthcare Partners IV<br>RoundTable Healthcare Partners III                     | USD<br>USD | 650<br>600     | 2015<br>2010 |

# The Top 30

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| Rank | Prior Rank | Fund Family | Setter Liquidity Rating | Prime Buyers | First Vintage | Funds in Fund Family | Latest Closed funds | Currency | Fund Size | Vintage |
|------|------------|-------------|-------------------------|--------------|---------------|----------------------|---------------------|----------|-----------|---------|
|------|------------|-------------|-------------------------|--------------|---------------|----------------------|---------------------|----------|-----------|---------|

▲ ▼ — Indicate whether the manager has moved up, down or stayed the same rank relative to their rankings on 8/31/16\*.

The rankings are based on the Setter Liquidity Ratings which rates fund families as Excellent, Very Good, Good and Unrated depending on how sought after and saleable they are on the secondary market. The Ratings are in large part determined by the collective shortlists of the 1300+ buyers Setter Capital covers, which are conveyed directly or via SecondaryLink. See the last page for more details and limitations of the Setter Liquidity Rating.

# Who's In & Who's Out

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## **New Managers That Made the Rankings**

(compared to the rankings on: 8/31/16)\*

[American Industrial Partners \(AIP\)](#)

[Cortec Group Inc](#)

## **Managers That Didn't Make The Rankings**

(but were on the rankings on: 8/31/16)\*

[Lincolnshire Management](#)

[Sentinel Capital Partners](#)


\* Note: Only 5% of all managers receive a Setter Liquidity Rating of Good, Very Good or Excellent. Movement in the rankings does not necessarily mean a change in market sentiment towards the manager. Movement may also be caused because Setter Capital has more visibility on the number and quality of buyers that make up the number of Prime Buyers.



To see more Sought-After Funds use the SecondaryLink Fund Screener: [www.SecondaryLink.com/funds](http://www.SecondaryLink.com/funds)

# Most Sought-After Managers Currently Fundraising

| Fund Being Raised   | Currency | Target Size | Fund Family                   | Setter Liquidity Rating | Prime Buyers |
|---|----------|-------------|-------------------------------|-------------------------|--------------|
| 1 <a href="#">ABRY Heritage Partners</a>                      |          |             | ABRY                          | Excellent               | 69           |
| 2 <a href="#">Wellspring Capital Partners VI</a>              | USD      | 1350        | Wellspring Capital Management | Very Good               | 37           |
| 3 <a href="#">Catterton Aimara Latin America Fund II</a>      | USD      | 500         | Catterton Partners            | Very Good               | 30           |
| 4 <a href="#">LLR Equity Partners V</a>                       | USD      | 1100        | LLR Partners                  | Very Good               | 25           |
| 5 <a href="#">Avista Capital Partners IV</a>                  | USD      | 1500        | Avista Capital Partners       | Good                    | 39           |
| 6 <a href="#">MidOcean Partners IV</a>                        | USD      | 300         | MidOcean Partners             | Good                    | 32           |
| 7 <a href="#">Vestar Capital Partners VII</a>                 | USD      | 1000        | Vestar                        | Good                    | 29           |
| 8 <a href="#">Accel-KKR Capital Partners V Strategic Fund</a> | USD      | 170         | Accel-KKR Capital Partners    | Good                    | 29           |
| 9 <a href="#">KRG Capital Fund V</a>                          | USD      | 500         | KRG Capital                   | Good                    | 24           |

 Search other Sought-After Managers that are fundraising via the SecondaryLink Fund Screener: [www.SecondaryLink.com/funds](http://www.SecondaryLink.com/funds)

## Why do primary investors look at secondary demand?

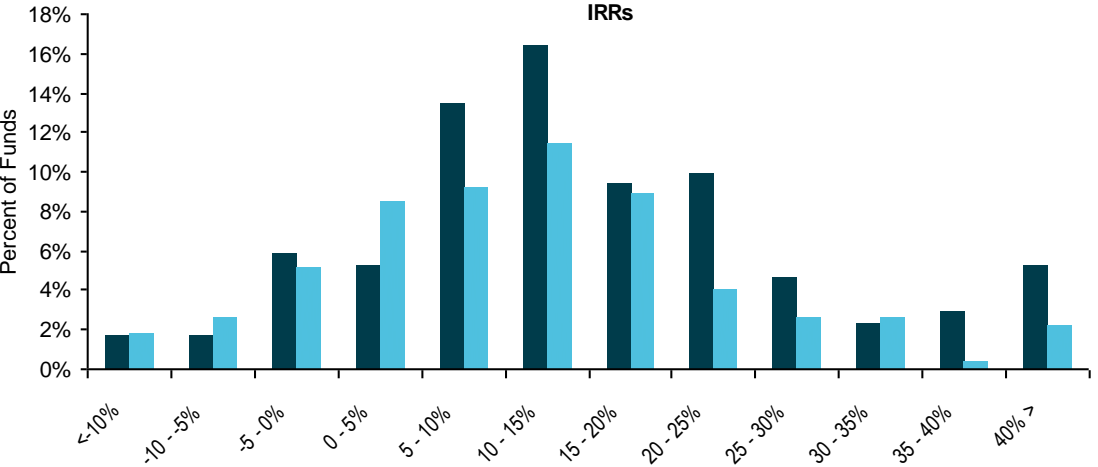
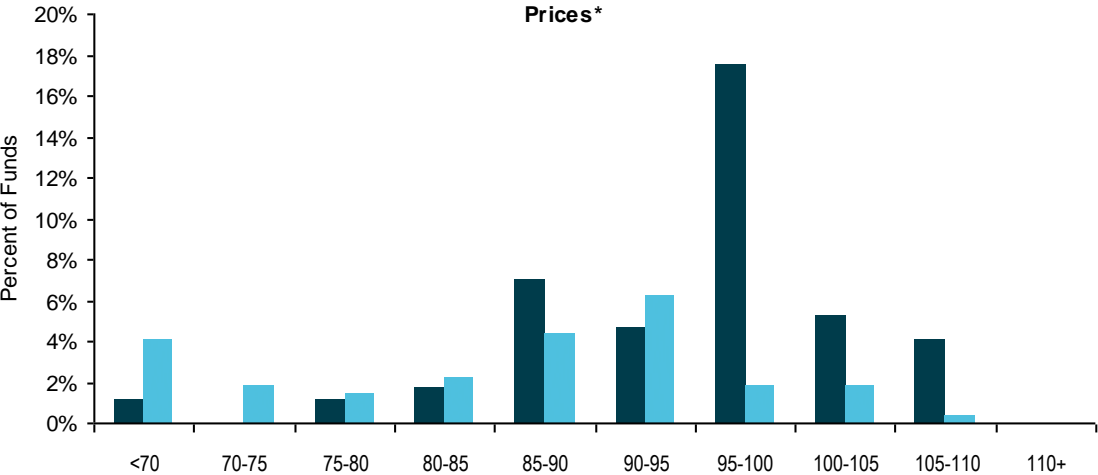
Strong secondary market demand suggests a fund is popular among LPs and may be an interesting primary candidate  
 Low secondary market demand suggests additional liquidity risk in the future

 Search a fund's Liquidity Rating via the SecondaryLink fund screener: [www.SecondaryLink.com/funds](http://www.SecondaryLink.com/funds)

# How do the Most Sought-After Funds Compare to Less Saleable Funds?

Strategy: US Middle Market LBO - Q3 2017

Below is a comparison between the funds of the Most Sought-After managers (which are listed on the previous pages) and funds of Unrated managers.



### Noteable Differences

With respect to buyer demand, there are significantly more Prime Buyers\* for the Most Sought-After Managers than for the managers with a Setter Liquidity Rating of Unrated:

- Avg. Number of Prime Buyers TOP 30: 30
- Avg. Number of Prime Buyers Unrated: 6

Accordingly, the funds of Most Sought-After Managers price better than funds of Unrated managers:

- Avg. Price TOP 30: 91.71% of NAV
- Avg. Price Unrated: 84.08% of NAV

Not surprisingly, the Most Sought-After Managers' funds have performed better than those of Unrated managers:

- Avg. IRR TOP 30: 15.88%
- Avg. IRR Unrated: 14.07%

The Most Sought-After Managers also tend to have raised the most capital - on average they have raised more funds and larger funds than Unrated managers:

- Avg. Fund Size TOP 30: 692M
- Avg. Fund Size Unrated: 708M
- Avg. Number of Funds Raised TOP 30: 5
- Avg. Number of Funds in Raised Unrated: 3

\* Please see the last page for definitions and report limitations. This report should not be relied upon to make investment decisions. Pricing is subject to selection bias (e.g. it is more difficult to get pricing for Unrated funds, resulting in lower priced funds being underrepresented).



# Definitions

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Exposure: NAV + Undrawn

Prime Buyers are buyers that are existing investors in the fund family, have it on their shortlist or have recently priced it. Other buyers, who have a general interest in buying this type of fund but not the fund specifically (“General Buyers”), are not included in the number of indicated prime buyers

The Setter Liquidity Rating (SLR) is a subjective measure of the relative liquidity of non-redeemable alternative investment funds and is not a measure of the investment merits or quality of a fund. The SLR and number of Prime Buyers are determined by Setter Capital and rely in part on subjective assessments of: the seriousness, capacity and number of interested buyers for a fund; and the ease of transfer. The SLR and number of Prime Buyers should not be relied upon to make any investment decision or to predict the future liquidity of a fund. Also, the SLR is not intended as a measure or indicator of the liquidity of a fund's underlying portfolio holdings. The SLR applies to an entire series of funds, or 'fund family', and individual funds within a fund family may be more or less illiquid than the SLR indicates. For instance, lightly funded funds or very old funds are often less liquid than funds that are greater than 30% funded or less than seven years old. Also, smaller interests and very large interests have fewer buyers with less liquidity. The liquidity of a fund and the SLR can change at any time, as demand for a fund family changes or transfer becomes more or less restrictive or Setter Capital re-evaluates or gains new insight into a fund's relative liquidity. See the article 'Setter Capital Liquidity Rating' for more details. The SLR is not provided as a service and Setter Capital, SecondaryLink and DiligenceLink therefore assume no responsibility for any losses alleged to be the result of the use of the SLR or for any purported reliance upon the rating. The SLR may be flawed and Setter Capital welcomes suggestions to improve its usefulness.

# Disclaimer

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# About Setter

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Established in 2006, Setter Capital is a leading independent advisory firm specializing in providing liquidity solutions for fund managers and institutional investors in the secondary market for alternative investments. We serve a diverse institutional client base including some of the world's largest pensions, endowments, investment consultants and fund managers. To date, Setter Capital has completed over 5000 transactions, representing more than \$25 billion in liquidity across venture capital, private equity, infrastructure, real estate, real asset, and hedge fund investments.

Setter Capital's mission is to make the secondary market more transparent and efficient for all market participants. To this end, Setter provides the market with complimentary secondary market research and analytical tools such as:

## [The Setter Liquidity Rating™](#)

A unique rating system that allows buyers, sellers and creditors to assess the relative liquidity of over 7000 different fund families.

## [The Setter Volume Report™ and the Setter Price Report™](#)

Two semi-annual reports that provide the most comprehensive and accurate assessments of the secondary market. Data is based on pricing of over 1900 funds and a survey of over two thirds of the most active secondary buyers globally.

## [SecondaryLink.com™](#)

A professional network where over 5000 institutional LPs and GPs connect on primary due diligence and the secondary market.

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