



## 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, while low secondary market demand suggests additional liquidity risk in the future.

## How illiquid is your portfolio?

What percent of your portfolio is in Unrated funds? Excellent funds? How do your funds price?

*Request a complimentary Setter Liquidity Report from Setter Capital.*

## Where can I find the Setter Liquidity Ratings and Rankings?

 [www.SecondaryLink.com](http://www.SecondaryLink.com)

The Most Sought-After Manager Rankings are published by Setter Capital, across various types of funds and geographies. This report specifically ranks the Most Sought-After Small US LBO managers whose most recent funds are less than 500 million USD.

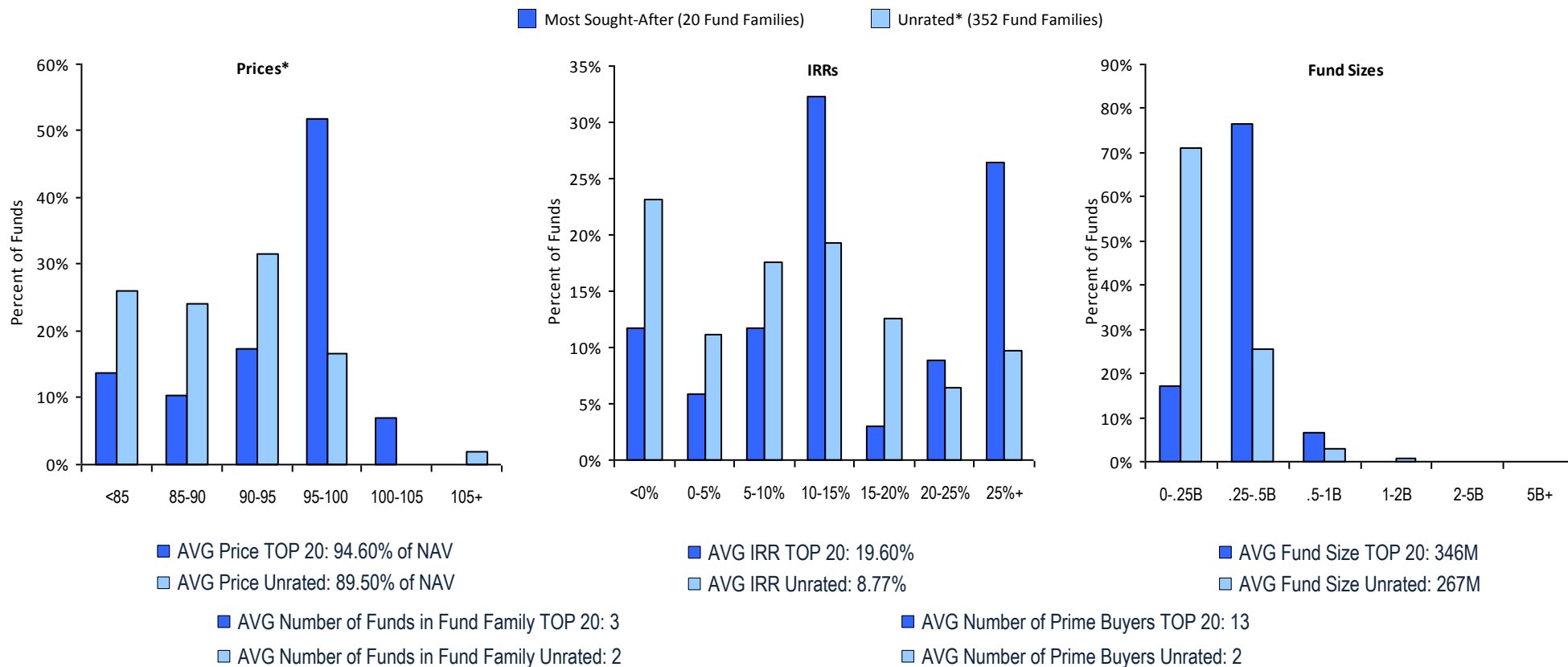
Setter Capital Inc.  
77 Bloor Street West - Ste 1901  
Toronto, Ontario  
Canada - M5S 1M2  
Phone: +1 (416) 964 9555

[www.settercapital.com](http://www.settercapital.com)



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

Below is a comparison between the Most Sought-After Small US LBO managers (which are listed on the following pages) and Unrated Small US LBO managers.



### Noteable Differences

- There is significantly more buyer demand for the Most Sought-After managers, with the average number of Prime Buyers\* being ~13, versus ~2 for the managers with a Setter Liquidity Rating of Unrated.
- Accordingly, the funds of Most Sought-After managers price on average ~5% better than funds of the Unrated managers.
- Not surprisingly, the Most Sought-After managers' funds have performed better than those of Unrated managers (~20% average IRR versus ~9% to date) and have raised more money (average fund size of \$346M versus \$267M).
- The Most Sought-After managers also tend to have been around the longest - on average they have raised three funds versus the Unrated managers who have raised two funds on average.

\* 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).

# The 20 Most Sought-After Small US LBO Managers on the Secondary Market™ - Q3 2015



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.

▲ ▼ — Indicate whether the manager has moved up, down or stayed the same rank relative to their rankings on 9/30/2014\*.

Rank	Prior Rank	Fund Family	Setter Liquidity Rating	Prime Buyers	First Vintage	Funds in Fund Family	Latest Closed funds	Currency	Fund Size	Vintage
1	▲ 17	<a href="#">WestView Capital</a>	Good	22	2005	3	Westview Capital Partners III WestView Capital Partners II	USD	430	2013
2	▲ >20	<a href="#">Blue Point Capital Partners</a>	Good	16	2000	3	Blue Point Capital Partners III Blue Point Capital Partners II	USD	425	2013
3	▲ >20	<a href="#">VMG Partners</a>	Good	16	2007	2	VMG Equity Partners II VMG Equity Partners	USD	375	2011
4	▲ 7	<a href="#">Beecken, Petty &amp; Co.</a>	Good	16	1997	4	Beecken Petty O'Keefe IV Beecken Petty O'Keefe III	USD	385	2013
5	▲ 8	<a href="#">Monomoy Capital Partners</a>	Good	15	2006	2	Monomoy Capital Partners II Monomoy Capital Partners I	USD	420	2011
7	▲ >20	<a href="#">Prophet Equity</a>	Good	15	2009	2	Prophet Equity II Prophet Equity I	USD	345	2014
7	▼ 3	<a href="#">Housatonic Partners</a>	Good	15	2005	2	Housatonic Equity Investors V Housatonic Equity Investors IV	USD	325	2010
8	▼ 5	<a href="#">Morgenthaler Partners</a>	Good	15	1985	8	Morgenthaler Venture Partners IX Morgenthaler Venture Partners VIII	USD	402	2008
9	▲ >20	<a href="#">Tenex Capital Management</a>	Good	15	1994	2	Tenex Capital Partners	USD	452	2011
10	▲ 16	<a href="#">Excellere Partners</a>	Good	14	2007	2	Excellere Partners II Excellere Partners I	USD	465	2012
11	▲ >20	<a href="#">Huron Capital Partners</a>	Good	12	2000	4	Huron Capital IV Huron Capital III	USD	500	2013
12	▲ 18	<a href="#">Sorenson Capital</a>	Good	11	2004	2	Sorenson Capital Partners II Sorenson Capital	USD	400	2007
13	▲ >20	<a href="#">DW Healthcare Partners</a>	Good	10	2004	3	DW Healthcare Partners III DW Healthcare Partners II	USD	265	2012
14	▼ 13	<a href="#">Gridiron Capital</a>	Good	10	2004	2	Gridiron Capital Fund II Gridiron Capital Fund I	USD	425	2011

# The 20 Most Sought-After Small US LBO Managers on the Secondary Market™ - Q3 2015



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.

▲ ▼ — Indicate whether the manager has moved up, down or stayed the same rank relative to their rankings on 9/30/2014\*.

Rank	Prior Rank	Fund Family	Setter Liquidity Rating	Prime Buyers	First Vintage	Funds in Fund Family	Latest Closed funds	Currency	Fund Size	Vintage
15	▲ >20	<a href="#">Kinderhook</a>	Good	10	2003	4	Kinderhook Capital Fund IV Kinderhook Capital Fund III	USD	500	2014
16	▲ >20	<a href="#">Trivest Partners</a>	Good	10	1990	4	Trivest Fund V Trivest Fund IV	USD	415	2012
18	▲ >20	<a href="#">Industrial Opportunity Partners</a>	Good	9	2007	2	Industrial Opportunity Partners II Industrial Opportunity Partners I	USD	275	2012
18	▼ 4	<a href="#">Brynwood Partners</a>	Good	9	1988	3	Brynwood Partners VII Brynwood Partners VI	USD	400	2013
19	— 19	<a href="#">Waud Capital</a>	Good	8	1993	3	Waud Capital Partners III Waud Capital Partners II	USD	463	2010
20	▲ >20	<a href="#">Seidler Equity Partners</a>	Good	8	2000	3	Seidler Equity Partners IV Seidler Equity Partners III	USD	125	2010
								USD	260	2006

## New Managers That Made the Rankings

(compared to the rankings on: 9/30/2014)\*

[Blue Point Capital Partners](#)  
[DW Healthcare Partners](#)  
[Huron Capital Partners](#)  
[Industrial Opportunity Partners](#)  
[Kinderhook](#)  
[Prophet Equity](#)  
[Seidler Equity Partners](#)  
[Tenex Capital Management](#)  
[Trivest Partners](#)  
[VMG Partners](#)

## Managers That Didn't Make The Rankings


(but were on the rankings on: 9/30/2014)\*

[Arlington Capital Partners](#)  
[Beekman Investment Partners](#)  
[Charterhouse Equity Partners \(US\)](#)  
[CHB Capital](#)  
[Chicago Growth Partners](#)  
[GCP Capital Partners \(US fund - Greenhill Capital\)](#)  
[ICV Capital Partners](#)  
[Milestone Partners \(US\)](#)  
[Swander Pace Capital](#)  
[Thompson Street Capital](#)

\* 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.

## The 20 Most Sought-After Small US LBO Managers on the Secondary Market™ - Q3 2015



 To see more Sought-After Funds use 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)

## Most Sought-After Managers Currently Fundraising

Fund Being Raised	Currency	Target Size	Fund Family	Setter Liquidity Rating	Prime Buyers
1 <a href="#">Morgenthaler Venture Partners X</a>	USD	150	Morgenthaler Partners	Good	15
2 <a href="#">Sorenson Capital Partners III</a>	USD	600	Sorenson Capital	Good	11



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



## About Setter Capital

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 400 transactions, representing more than \$18 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 3600 institutional LPs and GPs connect on primary due diligence and the secondary market.

#### **For further information:**

Peter McGrath  
Managing Director  
Setter Capital Inc.  
77 Bloor Street West  
Suite 1901  
Toronto, Ontario  
Canada  
+1 (416) 964-9555

[peterm@settercap.com](mailto:peterm@settercap.com)

[www.settercapital.com](http://www.settercapital.com)



## Definitions

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

By accepting this document you agree to all the terms hereunder. This document has been provided to you by Setter Capital for information or discussion purposes only & is confidential and may not be copied or distributed, in whole or in part, to any third party without the prior written consent of Setter Capital. This document is not, & should not be construed as, marketing material for any investment opportunity, or an offer, solicitation or a recommendation to take any investment action, or participate in any investment strategy or sale of securities.

Actual price or results may differ materially from those indicated in this document. Return data, prices, benchmarks and performance information contained herein are not indicative of future results and may be out of date and/or inaccurate.

This document may contain opinions, estimates, prices, ratings & forward-looking statements which are subject to various risks, changes & uncertainties. Setter Capital undertakes no obligation to update or revise ratings, prices & other information contained herein.

This document has been prepared without taking into account any party's objectives, financial situation or needs. This document should not be construed as legal, tax or investment advice; any investment action with respect to any investment opportunity that may be referred to herein should be made only after appropriate and independent due diligence.

Setter Capital has not independently verified any information provided or available to Setter. No representation, warranty or guarantee, express or implied, is made as to the accuracy, reasonableness or completeness of the information, observations, opinions, ratings and conclusions contained in this document. Setter Capital and their respective directors, employees or representatives expressly disclaim any responsibility or liability relating to any losses alleged to be the result of the use of or purported reliance upon the Setter Liquidity Rating or any of the information contained herein.