

Setter Capital Volume Report

Secondary Market 2013

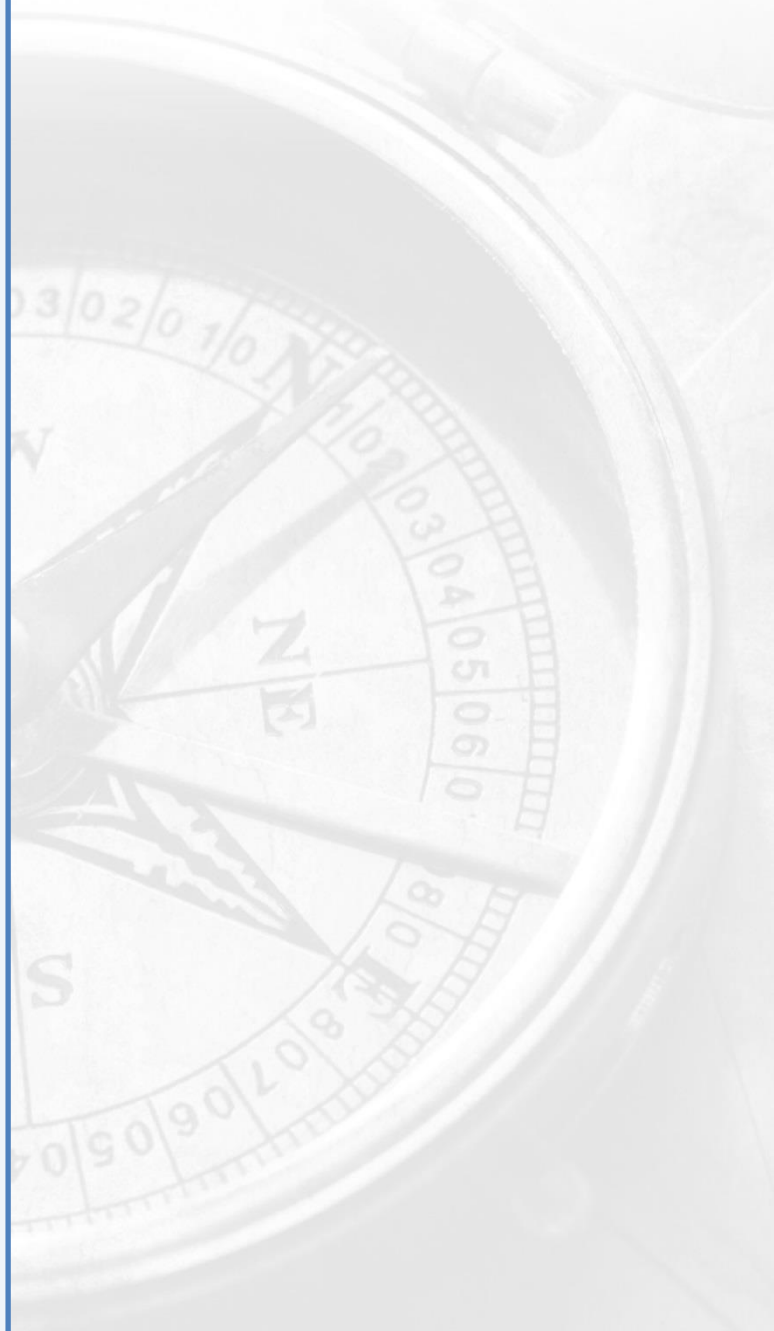


Setter Capital Volume Report

Highlights

The Setter Capital Volume Report analyzes global secondary market activity in 2013 and covers the following topics:

- Total Volume of Secondary Deals
- Secondary Volume 2013 vs. 2012
- Total Number of Secondary Deals Completed
- Percentage of Secondaries of Funds vs. Directs
- Breakdown of Volume by Type of Assets Sold
- Most Active Sellers in 2013
- Expected Most Active Sellers in 2014
- Investment Focus in the Past Six Months
- Investment Focus in the Next Six Months
- Secondary Deal Volume in 2014
- Percent of Intermediated Deals



2013 in Review

2013 marked another busy year for the secondary market. A number of new buyers and agents entered the market and many sophisticated LPs adopted an opportunistic mentality towards sales with the net effect of more transactions occurring. According to respondents in our survey, 2013 was a more active year than 2012 and perhaps the most active year ever for the secondary market. Indeed Setter Capital had its most successful year to date with \$3.7 billion in completed transactions.

As the secondary market continues to grow and evolve, we sought to take a comprehensive and methodical approach to measuring the market and identifying trends. Using a simple survey approach, we asked principals directly the same questions that buyers, sellers, agents and secondary fund LPs often ask us. How much was completed in 2013? How much was completed in VC / Real Estate / Hedge fund secondaries? How much of the market is intermediated?

We hope you find the results interesting and useful. We welcome any questions and would be happy to provide further insights into the results.

The Survey

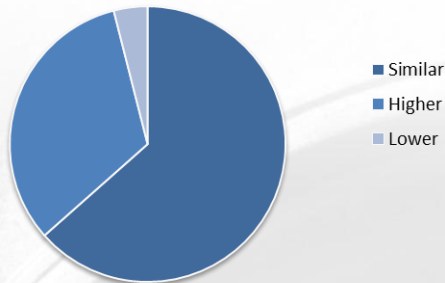
This report summarizes the results of a survey of the dedicated buyers in the secondary market for alternative investment funds conducted by Setter Capital mid-December 2013. Volume was defined in the survey as total exposure (NAV + unfunded) purchased by the respondent during the year. Participants included only deals that they had under binding agreement or had closed at the time of the survey and excluded any last minute 2013 deals that may become binding after the survey.

We contacted 115 of the most active and regular buyers in the secondary market to ask that they participate in the survey. Of these, 70 agreed to participate (see [partial list of participants](#) on page 9). Taking into consideration the proportion of small, medium and large buyers that participated (70 of 115) we then pro-rated the results. We used this methodology to estimate and chart: the total for volume, number of transactions, and other reported figures herein.

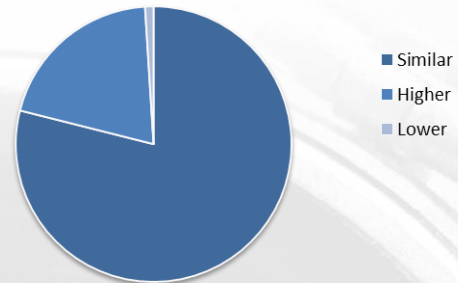
Volume

Our estimate of total secondary market volume for 2013 is \$36 billion. We extrapolated this figure from the **\$23.67** billion in volume reported by the 70 survey respondents, while taking into consideration the proportion of small, medium and large buyers that did and did not participate (45 of 115). This estimate may in fact be low as we did not include more than 1000 opportunistic and non-traditional buyers in this study, whose combined activity may be significant. For example, only one pension was included in the survey while no sovereign wealth funds or endowments were included.

How 2013 Volume Compares to 2012 Volume



How H1 2014 Volume Will Compare to H1 2013 Volume



33% of respondents said 2013 volume was significantly higher this year than in 2012, 4% felt it was significantly lower, and 63% felt it was similar.

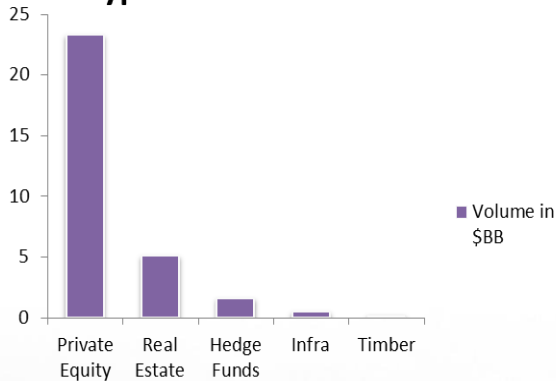
Overwhelmingly respondents felt that H1 2014 volume will be similar to or higher than H1 2013.

Number of Deals and Average Size

Respondents completed approximately 740 secondary deals in 2013, from which we extrapolated an estimate of 1300 transactions across the entire secondary market for alternative assets, with an average size of approximately \$28 million.

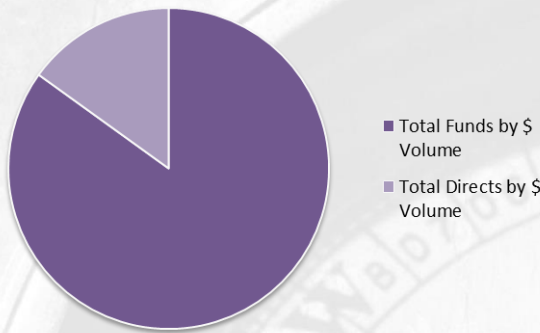
Assets Purchased

Types of Funds Purchased



- Private equity fund purchases totaled \$23.1 billion (~64.2% of total volume)
- Real estate fund purchases totaled \$5.1 billion (~14.2% of total volume)
- Hedge fund side pocket purchases totaled \$1.6 billion (~4.4% of total volume)
- Infrastructure fund purchases totaled \$0.7 billion (~1.9% of total volume)
- Timber fund purchases totaled \$0.2 billion (~0.6% of total volume)

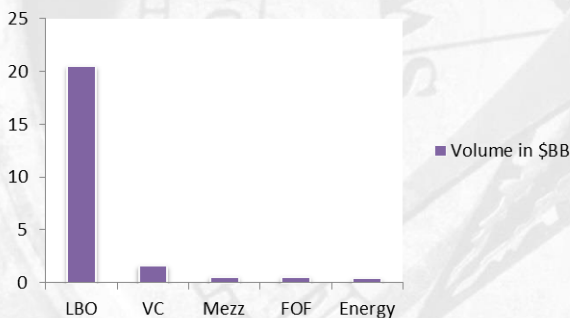
Funds vs. Directs



2013 secondary transaction volume of direct investments was \$5.3 billion (~14.7% of total volume). This figure includes the actual volume transacted in the context of fund recapitalizations and restructurings, fund liquidations, and purchase of single minority stakes and co-investments.

Approximately \$4.8 billion of directs volume was of private equity assets. Therefore total private equity secondary volume was \$27.9 billion.

Types of Funds Purchased



Breaking down volume of PE fund sales, LBO funds dominated (~87%) while VC funds made up a small proportion (~7%) with even smaller amounts transacted in Mezzanine, Funds of Funds and Energy Funds.

Size of Buyers

Number of Respondents by 2013 Volume



Average # of Transactions by Size of Buyer



Applying the survey respondents' dollar volume and transaction numbers while taking into consideration the proportion of small, medium and large buyers that did not participate, we estimated the market share of small, medium and large buyers as follows:

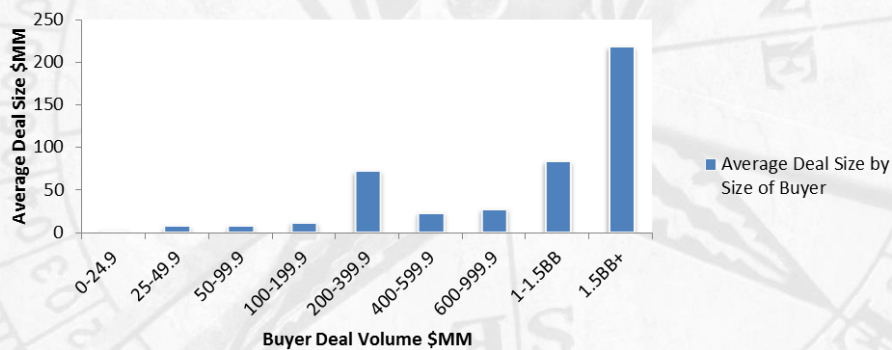
Small buyers (defined as those that deployed less than \$100 million in 2013) represented approximately 6% of total volume.

Medium buyers (defined as those that deployed \$100 to \$999.9 million in 2013) represented approximately 41% of total volume.

Large buyers (defined as those that deployed \$1 billion or more) represented approximately 53% of total volume.

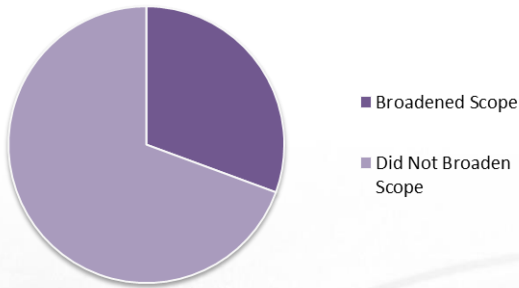
Notably, the average deal size of buyers that deployed up to \$1 billion in 2013 was roughly \$15 million suggesting that sellers of smaller portfolios and single commitments can attract a broad array of buyers.

Average Deal Size by Size of Buyer



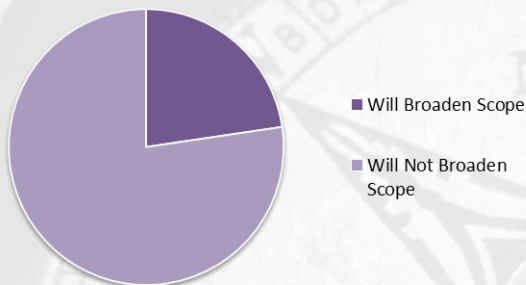
Buyers' Scope of Interest

Buyers that Broadened Their Focus in H2 2013



Approximately 30% of the participants broadened their secondary focus in H2 2013 to include buying other alternative investment types (e.g. infrastructure, real estate, portfolios of direct, etc.). Many noted that they had already broadened to new areas previously.

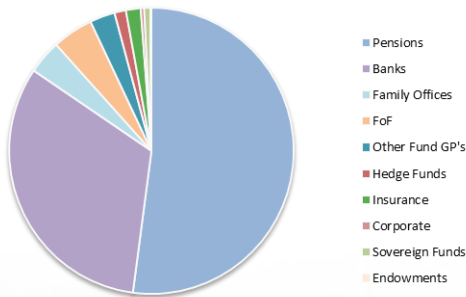
Buyers that intend to Broaden their Focus in 2014



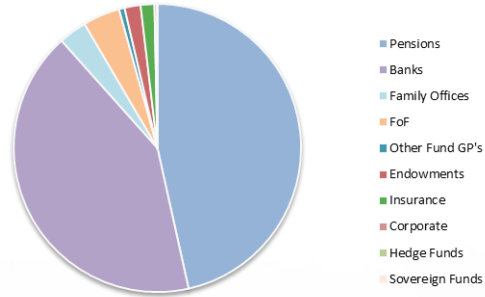
Approximately 24% of the participants plan to broaden their secondary focus in 2014 to include buying other alternative investment types.

Types of Sellers

Most Active Sellers in 2013



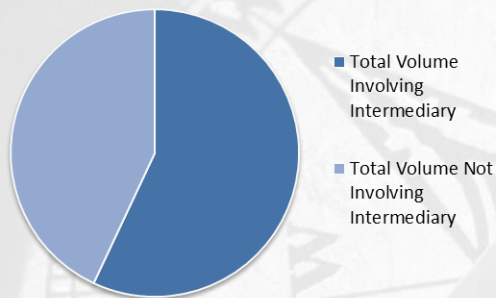
Likely to be Biggest Sellers in 2014



Pensions and banks accounted for the vast majority of transaction volume in 2013. Most buyers expect the trend to continue in 2014 with banks taking an increasing proportion.

Intermediaries

Level of Intermediation



Approximately 57% (\$20.5 billion) of total secondary volume involved an intermediary, either on the buy-side or sell-side.

Buyers reported lower levels of intermediation on the smallest end of the buyer size spectrum (those that purchased less than \$25 million in 2013).

We expect more and more deals to be intermediated both in response to the entrance of new agents and as sellers try to stay on top of the ever growing buyer universe.

Select Respondents



17 Capital	Munich Private Equity Partners
Abbott Capital Management	Northleaf Capital
Access Capital Advisors	Northern Trust
Adams Street Partners	NorthStar Realty
Akina Partners	Nova Capital
Argentum	ORIX Corporation
Bank of America Capital Advisors	Pantheon Ventures
Bex Capital	Partners Group (Infrastructure)
Canada Pension Plan Investment Board	Partners Group (Private Equity)
Capital Dynamics	Partners Group (Real Estate)
Cipio Partners	Pictet Alternative Investments
Committed Advisors	Pomona Capital
Commonfund Capital	Portfolio Advisors (Private Equity)
Corbin Capital Partners	Portfolio Advisors (Real Estate)
Crestline Investors	Private Advisors
DB Private Equity	Quay Partners
F&C Asset Management	RCP Advisors
Graphite Capital	RobecoSAM
Greenspring Associates	Siguler Guff Advisors
Hamilton Lane Advisors	SL Capital
HarbourVest Partners	Sobera Capital
Hollyport Capital	Stafford Timberland
Industry Ventures	Unigestion
Macquarie Asia	Verdane Capital
Macquarie Infrastructure	Vintage Investment Partners
Makena Capital	W Capital Group
Mercury Partners	Willowridge
Millennium Technology Value Partners	