

Setter

The 30 Most Sought-After Managers

US Middle Market LBO - Q3 2017

First in the Secondary Market.

Introduction

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, 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 ABRY	Excellent	69	1989	8	ABRY VIII ABRY VII	USD USD	1,900 1,600	2014 2011
2	—	2 HIG Capital	Excellent	49	1993	7	H.I.G. Middle Market LBO Fund II HIG Capital Partners V	USD USD	1,750 1,000	2014 2013
3	—	3 Wellspring Capital Management	Very Good	37	1996	5	Wellspring Capital Partners V Wellspring Capital Partners IV	USD USD	1,200 1,010	2011 2006
4	—	4 Charlesbank Capital Partners	Very Good	32	1998	5	Charlesbank Equity Fund VIII Charlesbank Equity Partners VII	USD USD	1,750 1,500	2014 2009
5	▲	7 Catterton Partners	Very Good	30	1989	7	Catterton Partners VII Catterton Partners VI-B	USD USD	1,600 200	2013 2010
6	▲	18 Snow Phipps Group (SPG)	Very Good	29	2005	3	Snow Phipps Fund III Snow Phipps Fund II	USD USD	810 844	2016 2010
7	▼	5 Riverside Capital Appreciation Fund (RCAF)	Very Good	28	1995	10	Riverside Micro-Cap Fund IV Riverside Micro-Cap Fund III	USD USD	650 350	2016 2014
8	—	8 Littlejohn & Co.	Very Good	28	1997	6	Littlejohn Fund V Littlejohn Fund IV	USD USD	2,000 1,340	2013 2010
9	▲	22 Sterling Group Partners	Very Good	27	2001	4	Sterling Group Partners IV Sterling Group Partners III	USD USD	1,250 820	2014 2010
10	▼	7 Water Street Capital	Very Good	26	2006	3	Water Street Healthcare Partners III Water Street Capital Partners II	USD USD	753 650	2013 2008
11	▲	30 Parthenon Capital	Very Good	25	1998	5	Parthenon Investors V Parthenon Investors IV	USD USD	1,000 700	2016 2012
12	▲	22 LLR Partners	Very Good	25	2000	5	LLR Equity Partners IV LLR Equity Partners III	USD USD	950 800	2014 2008
13	▼	9 Avista Capital Partners	Good	39	2006	3	Avista Capital Partners III Avista Capital Partners II	USD USD	816 1,770	2011 2008
14	▼	10 JLL Partners	Good	36	1991	7	JLL Partners Fund VII JLL Partners Fund VI	USD USD	1,000 807	2014 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	MidOcean Partners	Good	32	1999	4	MidOcean Partners Fund III MidOcean Partners Fund II	USD USD	1,250 450	2007 2005
16	▼ 13	Sterling Partners	Good	32	2002	5	Sterling Capital Partners IV Sterling Partners - Small Market Growth 2009	USD USD	917 254	2012 2009
17	▼ 13	Lightyear Capital	Good	31	2001	4	Lightyear Fund IV Lightyear Fund III	USD USD	846 954	2016 2011
18	▼ 14	Nautic Partners	Good	30	2000	4	Nautic Partners VIII Nautic Partners VII	USD USD	900 600	2016 2013
19	▼ 15	Accel-KKR Capital Partners	Good	29	2000	5	Accel-KKR Capital Partners V Accel-KKR Capital Partners IV	USD USD	1,300 900	2015 2013
20	▼ 17	Vestar	Good	29	1988	6	Vestar Capital Partners VI Vestar Capital Partners V	USD USD	804 3,650	2013 2005
21	▲ 30	Monomoy Capital Partners	Good	24	2006	3	Monomoy Capital Partners III Monomoy Capital Partners II	USD USD	740 420	2015 2011
23	▼ 17	Riverside Partners	Good	24	2000	3	Riverside Partners V Riverside Partners IV	USD USD	561 406	2013 2009
23	▲ 25	Greenbriar Equity	Good	24	2001	3	Greenbriar Equity Fund III Greenbriar Equity Fund II	USD USD	1,090 1,020	2013 2007
24	▼ 19	KRG Capital	Good	24	1999	5	Mountaingate Capital Fund I KRG Capital Fund IV	USD USD	395 1,960	2017 2008
25	▲ >30	American Industrial Partners (AIP)	Good	23	1989	6	American Industrial Partners Capital Fund VI American Industrial Partners Capital Fund V	USD USD	1,800 700	2015 2011
26	▼ 20	Spectrum Equity Investors	Good	23	1994	7	Spectrum Equity Investors VII Spectrum Equity Investors VI	USD USD	1,000 680	2014 2010
27	▲ >30	Cortec Group Inc	Good	23	1990	6	Cortec Group Fund VI Cortec Group Fund V	USD USD	1,100 620	2015 2012
28	▼ 23	Kohlberg & Company	Good	23	1988	8	Kohlberg Investors VIII Kohlberg Investors VII	 USD	2,200 1,600	2017 2012
29	▼ 26	Weston Presidio	Good	23	1992	5	Weston Presidio V Weston Presidio IV	USD USD	1,000 1,300	2005 2000
30	▼ 28	RoundTable Health Care Partners	Good	22	2001	4	RoundTable Healthcare Partners IV RoundTable Healthcare Partners III	USD USD	650 600	2015 2010

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
------	------------	-------------	-------------------------	--------------	---------------	----------------------	---------------------	----------	-----------	---------

▲ ▼ — 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

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

Most Sought-After Managers Currently Fundraising

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

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

Why do primary investors look at secondary demand?

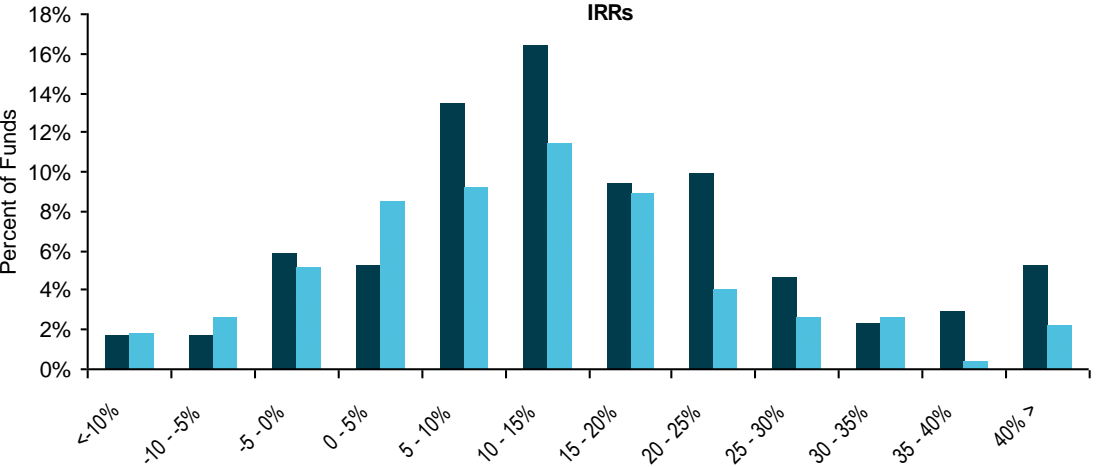
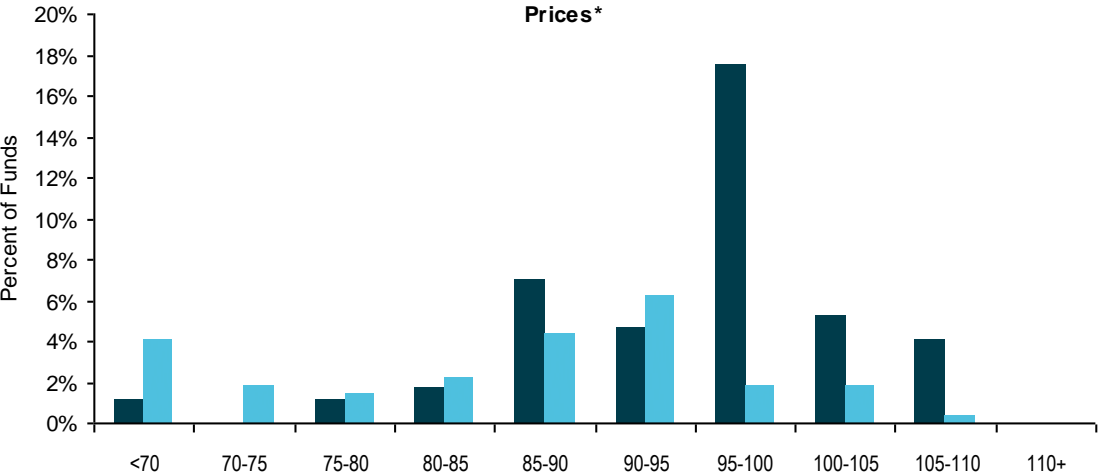
Strong secondary market demand suggests a fund is popular among LPs and may be an interesting primary candidate
 Low secondary market demand suggests additional liquidity risk in the future

 Search a fund's Liquidity Rating via the SecondaryLink fund screener: www.SecondaryLink.com/funds

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

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.

About Setter

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.

Setter Capital Inc.
77 Bloor Street W. Suite 1220
Toronto, Ontario, Canada
+1 (416) 964-9555

www.settercapital.com