

AXON PARTNERS 2016 SECONDARY MARKET SNAPSHOT

GLOBAL SECONDARY MARKET EXPERTISE AND NETWORK
 SUCCESSFUL TRACK RECORD IN EXCESS OF €2.5 BILLION EXECUTED
 FOCUS ON TRANSACTION SIZE UP TO €500 MILLION
 CONFIDENTIAL, PROFESSIONAL, RESOURCEFUL

INTRODUCTION

AXON Partners is a secondary adviser and placement agent for investments in private assets (private equity, real estate, infrastructure, private debt). As an intermediary, we are closely tracking market trends and are in regular dialogue with sellers and buyers of secondary fund interests globally.

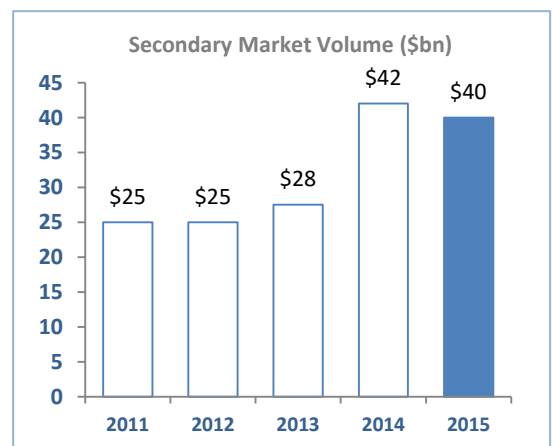
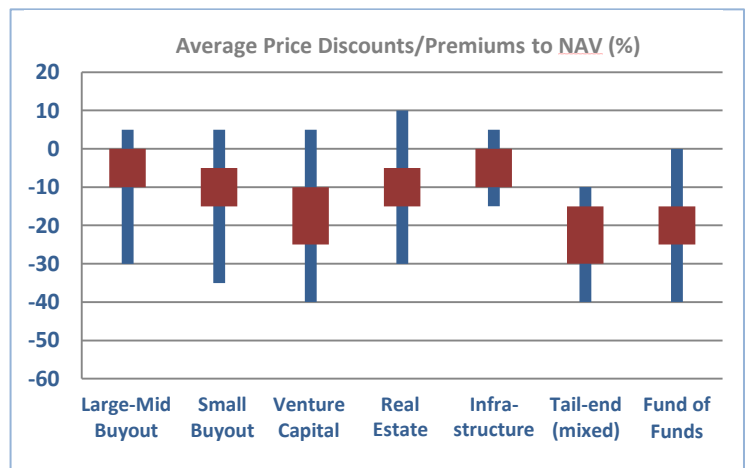
KEY MARKET OBSERVATIONS

With a transaction volume of approximately \$40 billion, 2015 was among the most active years for the secondary market in history. Looking at the current deal flow, AXON expects a similar volume for 2016 and believes that the current market environment remains very favorable to sellers of fund interests. Leading private markets investors are taking the opportunity to actively dispose assets in the secondary market. The reasons for this trend are well-documented:

- High valuation levels compared to historic averages
- Desire to “lock in” strong returns generated in recent years
- Good pricing environment (as measured by discounts/premiums to NAV) despite less favorable market conditions in public markets
- Strong buy-side demand in excess of \$80 billion and pressure to deploy capital
- Lowered IRR targets of buyers as a result of increasing competition and use of leverage
- Limited upside potential of older vintage year funds
- Ability to eliminate the administrative burden of legacy portfolios

CURRENT TRENDS AMONGST SELLERS

Sophisticated investors increasingly use the secondary market as an active portfolio management tool in order to re-shape their private assets portfolios. By selling now, investors benefit from (i) immediate cash flows, (ii) savings on future management fees, and (iii) returns which are often comparable to that of holding the fund interest to maturity (in particular for older vintage year funds).



In addition, selling now helps investors to avoid future risk factors including volatile market conditions, closed exit markets or lower valuations. This is particularly true in places such as Asia, where the promise of rapid growth and strong returns has faded in recent years. The enthusiasm amongst investors led to a significant increase of Asian investments a decade ago. While some investments did very well, others generated poor results.

Investors have increasingly invested outside of their core territories in the last decade. This trend started to reverse with the recent volatility in public markets, dipping of commodities prices and peak valuations. In today's market, AXON widely observes a certain investor fatigue and a reallocation back to core exposures.

HOW AXON SUPPORTS INVESTORS IN ACTIVE PORTFOLIO MANAGEMENT

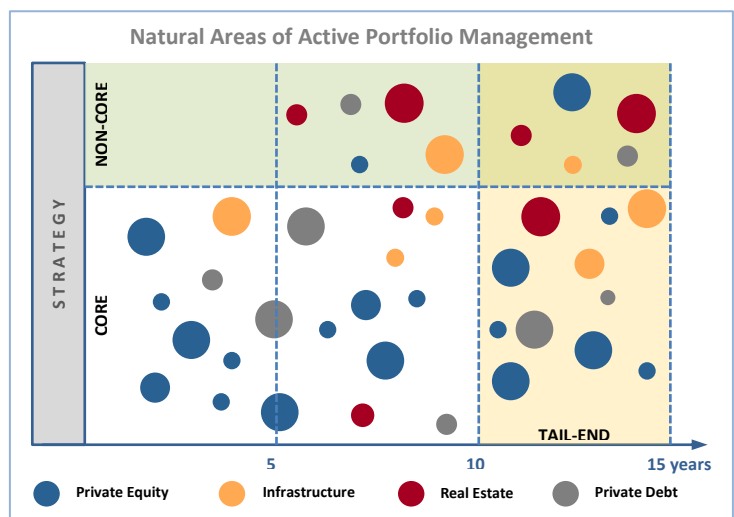
Institutional investors are often confronted with a diverse portfolio of (illiquid) private assets. Immediate actions are not easy to take and often require professional support. AXON advises potential sellers on a strictly confidential basis on all divestment steps from an initial portfolio review to a tailored sales process.

As a starting point, AXON evaluates a portfolio along two main dimensions:

- 1) **Fund maturity:** identification of older funds, being held by for over a decade, with limited upside potential and/or a higher concentration of NAV in public companies
- 2) **Strategy:** rebalancing of non-core (and often lower quality) funds

In consideration of the investor's goals and constraints, AXON then evaluates the funds for a secondary sale. A bottom-up discounted cash flow valuation and preliminary discussions with potential buyers form the basis for the pricing analysis of each fund. The main considerations are:

- Fund manager quality
- Underlying company quality
- Fund maturity and vintage year
- Deal concentration
- Direct exposure to public markets



AXON then works out an optimal sales strategy and identifies the best buyers worldwide. The ultimate goal of a sales process is to realize the best price by identifying the buyer who is willing to pay the outlier bid for each asset.

In summary, the current market situation is very favorable to sellers of fund interests. For those investors who are looking to de-risk their portfolio, do not have a long-term appetite to invest in an illiquid asset class or want to dispose of some non-core positions, the current conditions in the secondary market present compelling exit opportunities. AXON would welcome the opportunity to explore a secondary transaction with you.

Source: AXON Partners

ABOUT AXON PARTNERS

AXON Partners is an **independent management-owned private equity advisor** based in Zug and in London. AXON specializes in advising sellers on secondary transactions up to **€500 million in size** and provides **focused, discrete and highly tailored services**. We have **worked with sellers and buyers from around the globe** and across the entire investment spectrum including buyout, venture capital, real estate, infrastructure and private debt funds and direct investment portfolios. The firm's partners have been **active in the secondary market since the early 1990s**. We have broad experience in the full range of secondary transactions (single assets, secondary portfolio sales, tail-end position clean-ups, co-investment syndications, fund restructurings and staple situations).

For further information
please contact:

Switzerland

Dominik Meyer +41 41 729 0702 dominik.meyer@axonpartners.biz
Mark Engler +41 41 729 0707 mark.engler@axonpartners.biz

United Kingdom

Andrew Kellett +44 207 340 8728 andrew.kellett@axonpartners.biz
Simon Wigg +41 207 340 8727 simon.wigg@axonpartners.biz

www.axonpartners.biz

AXON Partners AG is approved and regulated
by the Swiss Financial Market Supervisory Authority FINMA

AXON Partners LLP is authorised and regulated
in the United Kingdom by the Financial Conduct Authority