

AXON PARTNERS 2015 SECONDARY MARKET SURVEY

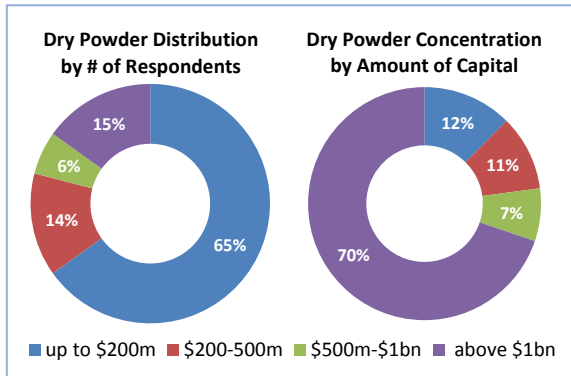
GLOBAL SECONDARY MARKET EXPERTISE AND NETWORK
 SUCCESSFUL TRACK RECORD IN EXCESS OF € 2.5 BILLION EXECUTED
 FOCUS ON TRANSACTION SIZE UP TO € 500 MILLION
 CONFIDENTIAL, PROFESSIONAL, RESOURCEFUL

INTRODUCTION

2014 marked the busiest year of the secondary market to date estimated at \$42 billion in completed transactions.* Over the last two decades the secondary arena market has developed into a very broad and efficient marketplace. The current high transaction volume is driven by active portfolio management as well as regulatory changes and is attracting a significant number of both dedicated and opportunistic buyers. AXON Partners is closely tracking market developments and has recently completed a detailed survey including conversations with more than 100 secondary buyers comprising secondary funds, insurance companies, pension funds, endowments, and fund of funds managers globally. 53% of respondents are European based institutions, 38% are based in the US and 9% in RoW. The key findings of this survey are presented below.

CONTINUED STRONG DRY POWDER

Dedicated secondary specialists have successfully raised new funds in excess of \$20 billion over the last 15 months. In addition, a substantial number of funds of funds and non-traditional buyers also have side pockets dedicated to secondaries. As shown in the charts on the left, many buyers (65% of respondents) have spare capacity to invest up to \$200 million in secondaries during 2015; however, most of the dry powder in the market is concentrated in the hands of a small number of large global firms.

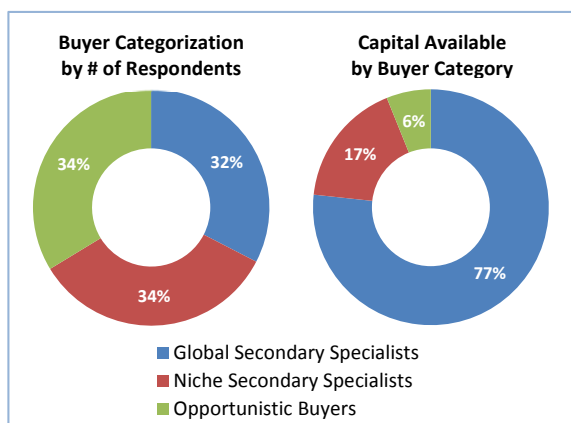


Source: AXON Partners

DRY POWDER: Large players represent only 15% of the buyer universe by number but represent 70% of estimated dry powder available

EVOLUTION OF THE SECONDARY MARKET PARTICIPANTS

The secondary market is still relatively young compared to the private equity primary market, but is constantly attracting new buyers. The number of niche secondary specialists has increased. These firms typically compete for transactions below \$50 million in size and differentiate by focusing on certain sub-segments or regions. In recent years, participation by a heterogeneous range of “opportunistic buyers” such as endowments, foundations, family offices, sovereign wealth funds, banks, insurance companies and funds of funds has also increased markedly.

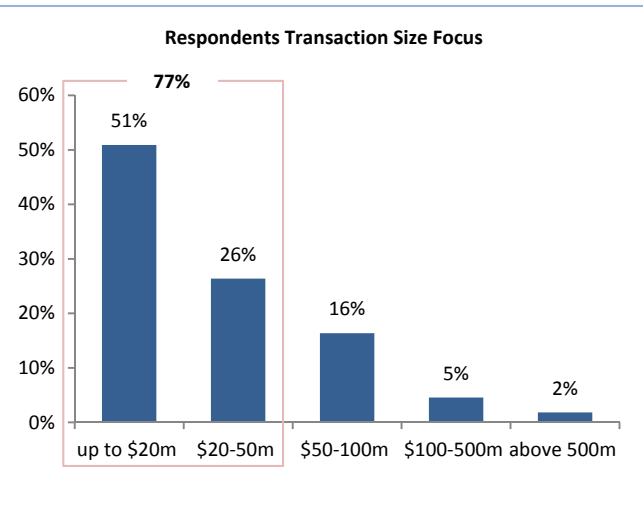


Source: AXON Partners

MARKET EVOLUTION: The universe of secondary buyers continues to increase with specialization for different transaction types

MARKET SEGMENTATION AND DEAL SIZE

A total of 1,270 transactions concluded in 2014 with an average size of approximately \$40 million.** The AXON survey shows that the vast majority of buyers have a preference for transactions below \$50 million. A substantial number of secondary buyers in this segment are looking



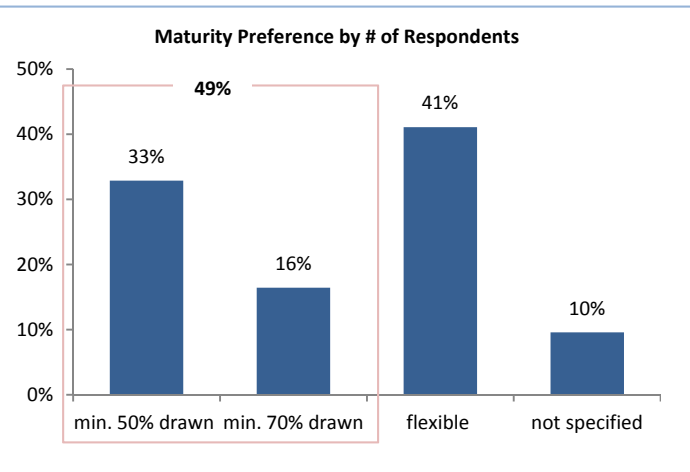
for special situations or specific angles to the transactions (e.g. complex deals, portfolio restructurings, strong relationship with the fund managers). At the smaller end of the market (deal sizes below \$20 million) transactions are often negotiated between buyers and sellers directly without the presence of an intermediary. Medium-sized transactions (\$20-100 million) and larger deals (\$100 million +) are typically intermediated with advisers organizing a broad, competitive auction process with the goal of creating competitive tension amongst buyers and thus optimizing the sale price.

DEAL SIZE: 77% of respondents focus on transactions below \$50 million in size

Source: AXON Partners

PORTFOLIO CHARACTERISTICS PREFERENCE

Secondary buyers benefit from the generally shorter holding period and are in a position to evaluate an existing portfolio of assets.



Approximately 50% of the buyers have a preference for mature funds which are at least 50% drawn. The AXON survey also shows that many dedicated secondary specialists are very opportunistic with respect to the maturity of the transactions. They are mostly driven by the quality of the underlying assets.

STAGE OF TRANSACTION: Buyers show a strong preference for mature funds and high quality of underlying assets

Source: AXON Partners

PRICING AND LEVERAGE

The current market situation is highly favorable to sellers of fund interests. The demand side is strong both in terms of volume and type of buyers and pricing is near cyclical highs with the best quality funds trading at or above their current net asset values. Pricing varies significantly in accordance with fund manager quality, maturity of the fund, type and vintage year; however, today's strong buyer appetite and bullish capital markets represent an excellent opportunity for private asset investors to actively manage their illiquid portfolios.

Source: *Cogent, **Setter Capital

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). The AXON team has executed over 30 secondary transactions representing in excess of €2.5 billion in transaction volume.

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