

Now that we are back from the summer months, we thought it would be a good time to share our observations about the current state of the secondary market. Here is what we are seeing real time:

- Pricing has begun to firm, particularly for buyout funds, and more transactions are successfully closing
 - We have seen a 26% price increase for buyout funds from the second to the third quarter, while VC pricing has moved up only moderately
 - Pricing is more reflective of greater visibility into portfolio company performance than in previous quarters
- The number of new buyers entering the secondary market continues to grow
 - Many buyers are prepared to issue LOIs and close quickly
 - Approximately 80% of our current, active buyer universe consists of non-traditional secondary buyers
- Liquidity pressure is likely to increase as capital calls return to more robust levels without commensurate distributions
- Secondary activity has picked up significantly, particularly notable for the last few weeks of the summer season
- Buyers continue to be targeted and selective in the funds they seek and once again are allocating resources to the opportunities most likely to result in closed transactions

Why enter the secondary market now?

- Market appetite for the more unfunded commitments has improved; now is a good time to create a strategy to manage your unfunded commitment overhang
- With increasing capital call activity anticipated, you should consider proactively tapping the secondary market in the face of firming prices
- Positive redeployment opportunities also exist to exit certain investments and commit to higher yielding investments, in some cases senior in the capital structure, and therefore optimize your expected risk adjusted portfolio returns
- Sellers who act today are likely to be ahead of what is expected to be a busy Q4 and 1H 2010

We would be happy to share additional thoughts with you, assist in evaluating your portfolio and liquidity needs, and/or discuss strategy for entering the secondary market. Please let us know how we may help.