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Capital Dynamics Private Equity Review & Outlook

Summary Q3 2013

US buyout

In brief

- US private equity funds posted robust exit figures, supported by an uptick in corporate and secondary buyout acquisitions. GPs focused primarily on improving the balance sheets of their portfolio companies and value creation as evidenced by the rise of refinancings and their pursuit of add-on acquisitions

Table: US buyout market data

USD billion	YTD12	YTD13	Q312	Q213	Q313	Dy/y	Dq/q
Fundraising	126.4	**138.0**	37.3	55.2	**49.2**	9%	(11%)
Investments	61.5	**92.3**	24.7	44.8	**25.7**	50%	(43%)
Exits	119.6	**114.7**	47.5	53.2	**39.8**	(4%)	(25%)
Drawdowns	27.0	**16.1**	11.9	7.1	n/a	(40%)	(21%)
Distributions	40.3	**47.9**	18.1	25.2	n/a	19%	11%
Appreciation as % of NAV	4.9%	**6.0%**	3.3%	2.2%	n/a	1%	(1%)
10 year pooled net IRR	7.1%	**9.9%**	7.7%	9.9%	n/a	3%	0%

Notes: YTD includes data through Q3 for funds, deals and Q2 for cash flows, returns. Dq/q is the comparison of Q2 2013 vs. Q1 2013 for cash flows and returns.
Source: Thomson ONE, S&P Capital IQ, as of December 2, 2013. Cash flows and performance data are as of June 30, 2013. n/a – data not available.

Fundraising

- Mega-fund closings lifted quarterly fundraising volume. Bifurcation in fundraising has increased

Fundraising remained robust in Q3, lifting year-to-date commitment volume to USD 138 billion, up 9% from the prior year. During Q3, mega-buyout funds such as Apollo Investment Fund VIII and Carlyle Partners VI drove overall volume, collecting USD 10 billion toward a USD 12 billion fund and USD 4.6 billion toward a USD 13 billion fund, respectively. Despite elevated volume, activity remains bifurcated as indicated by the number of funds holding interim and final closes. Year-to-date, the number of interim closes declined 10% to 337 year-over-year; the number of final closes fell 31% to 114.

Investments

- Deal flow improved in Q3, but invested capital declined on the absence of large-cap deals

Investments remained mixed. During Q3, deal values fell 43% quarter-over-quarter despite an improvement in deal flow. Year-to-date, deal flow trailed the prior year, reflecting subdued overall M&A activity during the first half. However, deal values exceeded the prior year's total by 50% as the strongest-ever leveraged lending and high-yield bond markets supported financing of a few large deals. LBO debt financing jumped 90% to USD 67 billion year-to-date from a year ago. However, portfolio company balance sheet improvements remained the major focus of buyout firms. Debt refinancings climbed 81% to USD 115 billion year-over-year and comprised 44% of all loan volume taken by buyout-backed companies, according to S&P Capital IQ data.

Exits

- Trade sales and secondary exits ticked up

Exit deal flow accelerated in Q3, driven by M&A deals such as trade sales and secondary exits. There were 112 M&A exit deals during the quarter, up 18% quarter-over-quarter. M&A deal values increased 9% quarter-over-quarter, aided by the USD 6 billion secondary sale of Neiman Marcus by TPG Group and Warburg Pincus to Ares Management and Canada Pension Fund Investment Board. A lack of large IPOs and a temporary decline in dividend recapitalizations during Q3 weighed on overall exit values. Buyout-backed companies generated USD 9 billion of dividend proceeds, or 10 billion less than in Q2 as uncertainty about the government showdown and a continuation of accommodative monetary policy weighed on credit market sentiment.

Outlook

- Market conditions continue to favor exits and follow-on investments

Distribution volume rose significantly during the first half of 2013 and market conditions continue to favor liquidity generation through public and credit markets. Despite a slowdown in Q3, the dividend recapitalizations pipeline remains strong. Drawdowns are expected to lag, also due to GPs' continued focus on maximizing exit values through follow-on investments, which require less investor contributions due to stronger cash positions of portfolio companies and/or availability of acquisition debt.

US venture capital

In brief

- Fundraising increased in Q3, supported by 2013’s first billion-dollar fund
- VC investment activity held steady
- Both M&A and IPO exits were strong in Q3

Table: US venture capital market data

USD billion	YTD12	YTD13	Q312	Q213	Q313	Dy/y	Dq/q
Fundraising	16.4	**11.8**	5.2	3.3	**4.2**	(28%)	31%
Investments	24.3	**23.1**	7.8	7.9	**8.1**	(5%)	2%
Exits	45.7	**29.4**	13.1	10.9	**12.1**	(36%)	10%
Drawdowns	2.5	**1.6**	1.0	0.9	n/a	(36%)	14%
Distributions	3.8	**2.7**	2.9	0.8	n/a	(30%)	(55%)
Appreciation as % of NAV	2.9%	**2.3%**	0.4%	1.1%	n/a	(1%)	(0%)
10 year pooled net IRR	1.5%	**4.3%**	1.9%	4.3%	n/a	3%	0%

Notes: YTD includes data through Q3 for funds, deals and Q2 for cash flows, returns. Dq/q is the comparison of Q2 2013 vs. Q1 2013 for cash flows and returns.
Source: Thomson ONE, Dow Jones VentureSource, as of December 2, 2013. Cash flows and performance data are as of June 30, 2013. n/a – data not available.

Fundraising

- Fundraising in Q3 was up over the prior few quarters, but trailed last year when a number of large funds were raised

Venture fundraising picked up during the third quarter. Although fundraising totals were largely attributable to a handful of brand-name venture firms, long-awaited improvements in returns and liquidity appear to have had a positive impact on overall industry fundraising. In terms of number of funds closed (58), Q3 was the strongest quarter during the last 12 months. The third quarter also featured the first billion-dollar venture fund closed during 2013 – Greylock XIV. Nevertheless, venture fundraising in 2013 remains at the lowest level since 2010.

Investments

- Business and Financial services attracted the largest share of venture investments during the quarter

Venture capital investments increased slightly from the previous quarter despite a decline in the number of venture financing rounds. Capital invested in Business and Financial Services companies surged in the third quarter to USD 2.1 billion (up 46% quarter-over-quarter), highlighting a long-term trend. The share of venture capital investments in Business and Financial Services companies has risen steadily over the past decade, from 10% in 2003 to 21% in 2013. Despite a slowdown in IT deal making, the IT industry continued to attract substantial venture capital, garnering USD 2.2 billion in the third quarter and USD 6.8 billion during the first three quarters of 2013.

Exits

- IPO exits were at their highest level since 2000; M&A remains strong, but has tempered

M&A exit deal values advanced over the prior two quarters as large corporations stepped up their acquisitions of ventured-backed companies. Two of the largest transactions during the third quarter were the acquisition of Aragon Pharmaceuticals by Johnson & Johnson and the acquisition of Trusteer by IBM. Despite the positive momentum, M&A exit activity in 2013 has trailed that of prior years. IPOs of venture-backed companies have been on the rise, fueled by a 25% gain in the NASDAQ Composite index during the first three quarters of 2013 and public market interest in innovative growth stories. The third quarter registered 29 venture-backed IPOs, the most since the third quarter of 2000. Strong IPO activity has continued in the fourth quarter of 2013 including the IPO for Twitter in November.

Outlook

- Venture capital is expected to continue to perform well

2013 has been the strongest venture-backed IPO year since the dotcom era. Significant numbers of private venture-backed companies are profitable and growing quickly, an indication of continued solid performance for the asset class. Renewed investor optimism in venture capital is expected to translate into a relatively consistent fundraising environment and a steady investment pace.

European buyout

In brief

- Deal flow improved throughout the year, though the lack of mega deals weighed on Q3 deal values
- Despite light exit activity in the third quarter, market conditions remain favorable for exits
- Fundraising is at its strongest since 2008, but remains competitive

Table: European buyout market data

EUR billion	YTD12	YTD13	Q312	Q213	Q313	Dy/y	Dq/q
Fundraising	22.3	**41.3**	4.4	16.3	**14.1**	85%	(14%)
Investments	47.4	**49.1**	13.9	24.6	**15.5**	4%	(37%)
Exits	49.3	**56.4**	9.9	32.8	**14.3**	14%	(56%)
Drawdowns	9.9	**3.6**	4.7	1.8	n/a	(64%)	2%
Distributions	9.4	**5.6**	8.4	2.9	n/a	(40%)	8%
Appreciation as % of NAV	5.3%	**1.6%**	1.9%	1.5%	n/a	(4%)	2%
10 year pooled net IRR	9.9%	**10.7%**	10.2%	10.7%	n/a	1%	0%

Notes: YTD includes data through Q3 for funds, deals and Q2 for cash flows, returns. Dq/q is the comparison of Q2 2013 vs. Q1 2013 for cash flows and returns.
Source: Thomson ONE, unquote'' data, as of December 2, 2013. Cash flows and performance data are as of June 30, 2013. n/a – data not available.

Fundraising

- Fundraising volume expanded 85% and the number of funds closed rose 42% year-over-year

The third quarter boasted an interim closing of the second-largest ever European buyout fund: CVC Capital Partners raised EUR 10.25 billion for its Fund VI. Year-to-date, commitment amounts to European private equity funds exceeded total amounts raised in 2012 by 43% and year-over-year by 85%. The recovery was broad-based as the number of funds closed rose substantially as well: up 42% to 89 during the first three quarters. However, more funds closed below target this year versus last year, indicating the challenging and competitive state of private equity fundraising in Europe.

Investments

- Mid-market buyouts drove investment deal flow, while small-cap deal making slowed

Following a quiet opening quarter, European deal flow increased consecutively in the last two quarters, supported by improving availability of credit. Large-cap and mid-sized deals benefited the most from the improving lending environment. There were 78 mid-market deals during the third quarter and 208 year-to-date, representing a 24% increase quarter-over-quarter and 5% increase year-over-year. Overall, deal flow trailed last year due to a drop in small-cap deals. Deal values during the first three quarters increased slightly from last year despite the absence of mega deals in the third quarter. The largest deal of the quarter was Pamplona Capital Management's acquisition of OFG from Astorg Partners for EUR 900 million.

Exits

- Buyout acquisitions continued to drive exit activity

Despite muted exit activity in the third quarter, market conditions remained favorable for exits. Increased buyout and, to a lesser extent, corporate acquisition activity provided liquidity for buyout fund investors. Buyout industry cash flow statistics reveal distributions were lower during the first half of 2013 than a year ago but outpaced drawdowns. Our portfolios indicate distributions increased substantially in the third quarter, following robust exit activity in the second quarter. Secondary buyout exits, which remained resilient in the third quarter, also gained the most in number of deals exited thus far this year and posted the strongest increases in exit values. Trade exits trailed last year's pace. However, European companies remain attractive targets for cross-border M&A as illustrated by the EUR 3.1 billion sale of German bathroom fittings manufacturer Grohe by TPG Capital to Lixil and Development Bank of Japan.

Outlook

- Improving market sentiment should drive a recovery in buyout deals

We expect buyout deal activity to recover further as both credit markets and deal-making sentiment continue improving. Secondary exits are poised to drive liquidity and corporate acquisitions should gain traction and support exit activity. We continue to see attractive fund investment opportunities in a highly competitive European mid-market buyout.

European venture capital

In brief

- Venture capital investments increased, driven by the improving economic environment in the UK
- Exits accelerated as large corporations stepped up acquisitions
- Fundraising improved in the UK, but remained sluggish in continental Europe

Table: European venture capital market data

EUR billion	YTD12	YTD13	Q312	Q213	Q313	Dy/y	Dq/q
Fundraising	2.96	**2.01**	1.21	0.46	**0.71**	(32%)	54%
Investments	3.63	**3.87**	1.14	1.66	**1.13**	7%	(32%)
Exits	3.69	**7.37**	0.85	1.86	**3.23**	100%	74%
Drawdowns	0.51	**0.12**	0.24	0.06	n/a	(76%)	(14%)
Distributions	0.39	**0.06**	0.13	0.04	n/a	(84%)	156%
Appreciation as % of NAV	2.0%	**(0.8%)**	0.5%	(1.0%)	n/a	(3%)	(1%)
10 year pooled net IRR	(1.3%)	**0.2%**	(1.0%)	0.2%	n/a	1%	0%

Notes: YTD includes data through Q3 for funds, deals and Q2 for cash flows, returns. Dq/q is the comparison of Q2 2013 vs. Q1 2013 for cash flows and returns.
Source: Thomson ONE, Dow Jones VentureSource, as of December 2, 2013. Cash flows and performance data are as of June 30, 2013. n/a – data not available.

Fundraising

- Fundraising trailed the prior year substantially

Venture fundraising bounced back from a seven-quarter low, but continued to trail the prior year. The dearth of large fund closings continued into the third quarter; the largest closing was French early-stage focused Serena II FCPR, which raised EUR 100 million. Overall regional fundraising declined 32% year-to-date due to the lack of activity outside of the UK. For example, crisis-stricken countries such as Spain and Italy did not record any fund closings compared with the EUR 727 million raised last year. In contrast, UK-based venture funds raised EUR 908 million during the first three quarters, or 27% more than a year ago.

Investments

- UK-based companies attracted the most money since Q4 2010

Following a surge in the second quarter, investment activity returned to a more sustainable level in the third. Across industries, European venture demonstrated balanced exposure, with companies in IT, Health Care, and the Consumer Services industries each attracting around EUR 900 million during this first nine months of 2013. The stand-out industry performer, however, was Business and Financial Services. The industry has attracted EUR 632 million year-to-date, the highest ever during a comparable period. From a geographic perspective, investments in UK-based companies doubled from the previous quarter to EUR 525 million, the most invested since the fourth quarter of 2010. UK economic growth in 2013 appears to have enhanced venture investment confidence.

Exits

- M&A exits posted a record-breaking quarter

During 2013, European VC-backed companies have increasingly become acquisition targets for large corporations. During the third quarter, M&A exits accelerated further, with exit volume reaching EUR 3.2 billion, the highest on record according to Dow Jones VentureSource data. As a result, exit deal values during the first nine months of 2013 doubled to EUR 7.4 billion from the same period of the prior year. VC firms made a number of high-profile exits including the EUR 460 million sale of French Neolane by Auriga Partners and Battery Ventures to Adobe Systems, and the EUR 260 million sale of Novaled by a consortium of German venture investors to an affiliate of Samsung Group. In contrast, IPO exit activity remained subdued.

Outlook

- Continued macroeconomic improvements are expected to support VC activity

We expect European VC deal activity to continue to stabilize. The macroeconomic environment, featuring both the Eurozone and the European Union’s recent returns to growth, should support European venture activity in the upcoming quarters.

Asia-Pacific private equity

In brief

- Large fund closings lifted quarterly fundraising levels
- Buyout firms continued to find sound investment opportunities in developed markets
- M&A exits progressed. Private equity in China is poised to benefit from changes in IPO regulation

Table: Asia-Pacific private equity market data

USD billion	YTD12	YTD13	Q312	Q213	Q313	Dy/y	Dq/q
Buyout fundraising	10.0	**8.9**	4.3	1.0	**5.7**	(11%)	466%
Growth fundraising	27.8	**24.3**	7.3	4.5	**5.3**	(13%)	19%
Buyout investments	23.6	**20.7**	9.8	7.9	**6.1**	(12%)	(22%)
Growth investments	30.4	**22.6**	9.8	10.6	**6.1**	(26%)	(43%)
M&A exit values	31.7	**31.2**	15.3	7.5	**8.6**	(1%)	15%
IPO exit values	27.0	**7.8**	14.9	3.3	**3.5**	(71%)	4%

Notes: Investment & exit values are enterprise values. IPO exit values are total proceeds raised by all shareholders including non-PE investors.
Source: Asian Venture Capital Journal database, as of December 10, 2013.

Fundraising

- Fundraising was concentrated among over-subscribed funds

The third quarter reflected investors' ongoing interest in Asia-Pacific private equity. However, investors focused on and made significant allocations to only a limited number of over-subscribed funds. Overall, fundraising trailed the prior's years pace. Buyout volume came almost entirely from three fund closings: KRR raised an additional USD 3 billion during the third quarter toward a USD 6 billion fund (the largest ever Asia-focused fund); MBK Partners, benefiting from the expanding South Korean private equity market, raised USD 1.45 billion for its third buyout fund, and Affinity Equity Partners raised an additional USD 1 billion during the third quarter.

Investments

- Investments in growth capital were scarce, though some large growth capital deals emerged

Asia-Pacific investment volume fell further behind last year's levels as market volatility surrounding emerging markets took a toll on growth capital deal making. Despite the overall drop-off in activity, large deals kept being completed. In China, CITIC Capital Partners acquired a minority position in S.E. Express for USD 1.4 billion. The growing importance of private equity in China was underscored by the largest-yet Chinese takeover of a US company: Shuanghui, a CDH Investments portfolio company, acquired Smithfield Foods for USD 7.1 billion in a deal announced in June and completed during the third quarter. Buyout volume held steady on robust investing in more developed markets. In Japan, KKR acquired Panasonic Healthcare for USD 1.7 billion, while MBK Partners purchased ING Life Insurance's South Korean business for USD 1.5 billion.

Exits

- Strong M&A activity boosted regional exit totals

PE-backed companies continued to attract corporate interest; M&A exit deal values rose 15% to USD 8.6 billion from the previous quarter. The largest deal of the year thus far was recorded in the third quarter when PE investors including DT Capital China Growth Fund and IDG-Accel China Growth Fund sold 91 Wireless Websoft Limited to Baidu.com for USD 1.85 billion. Meanwhile, IPO exits appear to have turned a corner. Chinese companies such as Huishan Dairy Holdings, backed by COFCC Agricultural Industrial Fund Management, sought listings outside of mainland China – primarily on the Hong Kong Stock Exchange as local regulation has blocked IPO registrations on domestic exchanges since October 2012. As a result, overall Asia-Pacific IPO exit volume inched up in the third quarter and advanced further in the final quarter of 2013.

Outlook

- The end of the IPO drought is expected to lift private equity activities in China next year

The recent announcement of an IPO reform plan by the Chinese securities regulator is a major boost for private equity investors in Asia-Pacific. Applications from an estimated 50 companies could undergo the approval process in January alone and at least 700 more companies are in the 2014 pipeline. A return to the path of liquidity for Chinese private equity is also expected to spur local fundraising and growth capital investment in the coming quarters.

Emerging Markets (Ex. Emerging Asia)

In brief

- Investments surged in Q3, driven by stronger investment momentum in Brazil and CEE&CIS
- Sub-Saharan Africa emerged as a bright spot, with fundraising and investments expanding from the prior year
- Year-to-date, in all Emerging Markets (Ex. Emerging Asia), overall fundraising and investment levels were down from 2012

Table: Emerging Markets (ex. Emerging Asia) private equity market data

USD million		YTD12	YTD13	Q312	Q213	Q313	Dy/y	Dq/q
MENA	Fundraising	547	**414**	451	115	**195**	(24%)	69%
	Investments	525	**170**	88	114	**2**	(68%)	(99%)
	Number of deals	31	**25**	14	8	**8**	(19%)	0%
SSA	Fundraising	648	**779**	159	62	**679**	20%	995%
	Investments	698	**1,253**	93	751	**403**	80%	(46%)
	Number of deals	43	**53**	15	21	**17**	23%	(19%)
CEE & CIS	Fundraising	4,155	**986**	1,563	188	**433**	(76%)	130%
	Investments	1,613	**667**	640	119	**449**	(59%)	278%
	Number of deals	79	**55**	26	17	**20**	(30%)	18%
Russia	Fundraising	82	**401**	0	0	**275**	389%	n/m
	Investments	1,004	**132**	365	7	**67**	(87%)	850%
	Number of deals	29	**18**	9	6	**4**	(38%)	(33%)
Latin America & Caribbean	Fundraising	2,946	**2,748**	1,295	1,933	**257**	(7%)	(87%)
	Investments	3,713	**3,269**	2,305	976	**2,051**	(12%)	110%
	Number of deals	84	**76**	36	26	**28**	(10%)	8%
Brazil	Fundraising	1,729	**837**	1,054	597	**79**	(52%)	(87%)
	Investments	3,441	**2,611**	2,170	569	**1,922**	(24%)	238%
	Number of deals	49	**46**	20	19	**16**	(6%)	(16%)
Emerging Markets (Ex. Em. Asia)	**Fundraising**	8,296	**4,927**	3,468	2,298	**1,564**	(41%)	(32%)
	Investments	6,549	**5,359**	3,126	1,959	**2,905**	(18%)	48%
	Number of deals	237	**209**	91	72	**73**	(12%)	1%

Notes: Data for Russia and Brazil is also included in CEE &CIS and Latin America & Caribbean, respectively.
Source: Emerging Markets Private Equity Association, as of November 14, 2013. Dq/q is the comparison of Q3 2013 vs. Q2 2013. Dy/y is the comparison of year-to-date through Q3 2013 vs. year-to-date through Q3 2012.

Brazil

- In Q3, Brazil's economy and private equity environment showed signs of stabilization and improvement

Following a lively first half, the pace of fundraising fell substantially. USD 79 million was raised in Q3 , 87% less than in the prior quarter, bringing the year-to-date total to USD 837 million compared with USD 1,729 million a year ago.

In contrast to fundraising, investing gained momentum during the third quarter with USD 1,922 million invested, a significant increase from the mere USD 569 million invested in the last quarter. Two infrastructure deals contributed the most to the quarterly uplift: BTG Pactual acquired Brasil Telecom Cabos Submarinos, Ltda., a fiber optic submarine cable company for USD 768 million, and EIG Global Energy Partners invested USD 545 million to become a controlling shareholder in LLX Logistica SA, a provider of logistics and infrastructure services for port terminals.

Middle East North Africa (MENA)

- Private equity struggled as political turbulence affected investor sentiment and economic development

Despite signs of stabilization, private equity still has limited traction in the MENA region. Ongoing uncertainty stemming from the Arab Spring continued to weigh on sentiment in the private equity community. Fundraising was relatively stable for the first three quarters, with USD 414 million raised, compared to USD 547 million raised during the same period in 2012. Notably, fundraising in the third quarter reached USD 195 million, representing a 69% increase from the second quarter.

Investment activity remained muted. USD 170 million was invested during the first three quarters, compared to USD 525 million during the same period in 2012. More deals are now transacted in the relatively stable Gulf Cooperation Council (GCC) countries, of which Saudi Arabia and the United Arab Emirates have emerged as favorable spots for investment. However, most equity was directed to Egypt. The crisis-shaken country attracted USD 112 million in three transactions. Actis, with its USD 102 million investment in Edita Food Industries, was the primary contributor of investment activity in Eqypt.

Sub-Saharan Africa (SSA)

- SSA continued as a “two-speed” region in terms of economic development and private equity

The two-speed theme continued with middle-income countries such as South Africa offering relative stability, and low-income yet resource-rich economies being dynamic and outpacing their middle-income peers in terms of economic growth. Overall fundraising in Sub-Saharan Africa during the first three quarters was strong, with USD 779 million raised – a 20% increase compared to the same period in 2012. Capitalworks Equity Partners, Development Partners, and Phatisa Group were the top three contributors.

Investment activity in SSA remained robust in 2013. USD 1,253 million was invested during the first three quarters, versus USD 698 million during the same period in 2012. South Africa maintained its lead in deal activities. However, other regions in SSA also attracted substantial investments. For example, Warburg Pincus made a USD 600 million investment in Kenya.

Turkey and Russia/CEE/CIS

- Fundraising was weak compared to 2012, which featured several sizeable final closes

Economic stabilization and development continued to be the driving forces within the region, though overall, fundraising remained weak. A total of USD 1,387 million was raised in CEE/CIS and Russia during the first three quarters, compared to USD 4,237 million during the same period in 2012. Despite a significant decrease in fundraising from 2012, the number of funds raised was nearly on par with the number raised over the same periods in 2009, 2010 and 2011.

Investment activity followed a similar pattern. A total of USD 799 million was invested during the first three quarters, versus USD 2,617 million during the same period in 2012. Large transactions were notably absent. More than half of the investments made in the region were in Poland and Russia. Despite relatively unremarkable fundraising and investment activity, exits have been the bright side of the story within the region, such as Baring Vostok’s sale of Russian internet company Yandex and Mid Europa Partners’ exit of Polish healthcare provider Lux Med.

Private equity secondary

- Shift in sellers' motivations is impacting deal flow dynamics

The strong performance of public markets, exemplified by the S&P 500's 4.7% gain during the third quarter despite political uncertainty in the US and the MSCI Europe's 13.6% gain, has resulted in rising valuations in the private equity market plus higher exit and distribution activity. This development is two-fold for secondary funds: Existing portfolios of secondary funds fully benefited from the valuation uplift and rising liquidity, thus improving the performance of secondary funds. Demand for secondary fund offerings remains strong. In addition, valuation uplift combined with the nominator effect as public equities surged, led to a slowdown in the large and mega segment of the secondary market, with sellers now being more opportunistic and tactically driven.

In contrast, activity at the smaller end of the market has remained strong, according to our deal flow observations. In addition, we have seen attractive opportunities in the nascent Asia-Pacific secondary market, which could potentially provide more opportunities. We remain optimistic about deal flow as many LPs increasingly see the secondary market as a means to actively manage their portfolios, either due to under-performance or a need to re-allocate resources within or outside of the private equity asset class.

For further information, please contact:

Kairat Perembetov, Vice President,
Research
Capital Dynamics AG
Bahnhofstrasse 22
CH-6301 Zug
Switzerland

Phone +41 41 748 8444
Fax +41 41 748 8440
Email kperembetov@capdyn.com

John Gripton, Managing Director,
Investment Management
Capital Dynamics Ltd.
9 Colmore Row
Birmingham
B3 2BJ
United Kingdom
Phone +44 121 200 8800
Fax +44 121 200 8899
Email jgripton@capdyn.com

London
New York
Zug
Beijing*
Tokyo
Hong Kong
Silicon Valley
Sao Paulo
Munich
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