DUFF & PHELPS

Protect, Restore and Maximize Value

# Secondary Market Advisory Newsletter

Fall 2018

## INSIDE



Welcome to the Fall 2018 edition of the Duff & Phelps Secondary Market Advisory (SMA) newsletter. Enclosed you will find the names of private equity and hedge fund managers for whose funds Duff & Phelps holds current secondary market pricing indications. You will also find a Q&A with Ken C. Joseph, Esq. who shares his thoughts regarding the current regulatory environment as it pertains to GP-led secondary transactions.

Highlighted Content Includes:

- Private equity and hedge fund manager pricing list
- Recent Duff & Phelps advisory experience
- Navigating GP-led secondaries - Q&A with Ken C. Joseph, Esq.

We look forward to discussing this content with you.

The Duff & Phelps SMA Team

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# Secondary Market Pricing Manager List

Find below a partial list of private equity and hedge fund managers for whose funds Duff & Phelps holds current secondary market pricing indications. If you would like to receive more detailed secondary market pricing information, contact us at sma@duffandphelps.com!

## PRIVATE EQUITY MANAGER PRICES

3i Group
Aberdeen Asset Management
ABRY Partners
Access Capital Partners
Accel-KKR
Advent International
AEA Investors
Alcentra Capital
Alinda Capital Partners
Allianz Capital Partners
American Securities
AMP Capital Investors
Antin Infrastructure Partners
Apax Partners
Aquila Capital
ArcLight Capital Partners
Arcus Infrastructure Partners
Ares Management
Atlas Capital Private Equity
Audax Group
Aviva Investors Global Services
AXA Group
Axium Infrastructure
Bain Capital
Bain Capital Credit
Baring Private Equity Partners
Benefit Street Partners
Berkshire Partners
BlackRock
BlueBay Asset Management
Bridgepoint Advisers
Brightwood Capital Advisors
Brookfield Capital Partners
Caltius Structured Capital
Capital Dynamics
CapitalSpring
Castlelake
Catterton Partners
Cerberus Capital Management
Clyde Blowers Capital
Comvest Partners
Copenhagen Infrastructure Partners
Crescent Capital Group
CRG
Cube Infrastructure Managers
CVC Capital Partners
Dalmore Capital
DIF
ECI Partners
Endeavour Capital
Endless
EQT
Equitix
Excellere Partners
First State Investments
Fondi Italiani per le Infrastrutture
FSN Capital
Gemspring Capital
Glennmont Partners
Global Infrastructure Partners
Golding Capital Partners
Goldman Sachs
Golub Capital
Graphite Capital Management
GSO Capital Partners
H2 Equity Partners
Harbert Credit Solutions
Hayfin Capital Management
Highbridge Capital Management
Housatonic Partners
iCON Infrastructure
Impax Asset Management Group
Inflexion Private Equity
Infracapital
InfraRed Capital Partners
InfraVia Capital Partners
Intermediate Capital Group
JPMorgan
Juniper Capital
Kayne Anderson Capital Advisors

## PRIVATE EQUITY MANAGER PRICES

KGAL Energy
KKR
KPS Capital Partners
LBC Credit Partners
Leonard Green & Partners
Lion Capital
Luxcara
Macquarie Asset Management
Mainsail Partners
Maranon Capital
Marguerite Fund
Marlin Equity Partners
Mason Wells
MC Credit Partners
Medley Capital
Meridiam Infrastructure
Merit Capital Partners
Merit Energy Company
Mirova
MML Capital Partners
Monroe Capital
Montagu Private Equity
Morgan Stanley Infrastructure Partners
New Energy Capital
New Mountain Capital
Nordic Capital
Northstar Capital
Oaktree Capital Management
Omnes Capital
Owl Rock Capital Partners
Pacific Equity Partners
Park Square Capital
Parthenon Capital Partners
Partners Group
Peak Rock Capital
Peninsula Capital Partners
PennantPark
Permira Debt Managers
PNC Mezzanine Capital
Polaris Private Equity
Prospect Capital
Providence Equity Partners
Prudential Capital Group
RoundTable Healthcare Partners
Rutland Partners
Sentinel Capital Partners
Siguler Guff
Silver Lake Management
Silver Oak Services Partners
SK Capital Partners
Starwood Energy Group
SteelRiver Infrastructure Partners
Stellus Capital Management
Stirling Square Capital Partners
Stonepeak Infrastructure Partners
Summit Partners
Sun Capital Partners
SUSI Partners
TA Associates Management
Tenex Capital Management
The Forestland Group
THL Credit
Tikehau IM
Torqx Capital Partners
Trilantic Capital Partners
Trivest Partners
UBS
Vortus Investments
Welsh, Carson, Anderson & Stowe
Westview Capital Partners
White Oak Global Advisors
WP Global Partners
Yukon Partners

## HEDGE FUND MANAGER PRICES

1609 Fund Ltd+EE9:E92
Aarkad Heather (Creditor) Claim Amount
Abax Arhat
Altima Restructure
Amaranth
Ambit Bridge Loan Fund
Ancile (AF-KY Wind-Down)
Arche Fund
Avenue Europe
Bennelong
CAM Opportunity Fund
Carrington Holding Corporation (CHC)
Centerbridge Capital Partners
Cerberus International
CFIP Overseas
Cheyne Special Situations
Claren Road Credit
CRC Credit
DBGM
D.E. Shaw
Discus
EOS Credit Opportunities
Eton Park Overseas
Farallon
Firebird Republics
Fortelus Special Situations
Fortress Value Recovery
Galileo Capital Partners Ltd
GCM Little Arbor
Glenview
GLG EM Growth
Golden Tree
GSIP
H21 BRIC +
Harbinger L
Harbinger PE
HB Multi-Strat
Highland Credit
Highland Crusader
Highland Crusader Fund II
IIG
King Street Capital
Lampe Conway (LC Capital)
Lancelot (Net-Cash Position) Claim Amount
Lispenard
Magnetar Capital
Marathon Special Opportunity
Mariner Opportunities
MCL
Medley Opportunity/CK Pearl (June 2014 Reporting Date)
Metage
Mount Kellett
Och Ziff Asia
Och Ziff Domestic Partners
Och Ziff Europe
Och Ziff Global Special Investments
Och Ziff Structured Products
One East Partners
Passport Global Strategies
Pennant Winward
Pentagone Bernini Fund Ltd
Perella Weinberg ABV
Perry Capital
Plainfield
Pond View
Pura Vida
Quantek
QVT CSI
QVT SLV
Raptor Private
Redwood
Redwood Argentina
Ritchie Capital
Rohatyn Group Global Opps
Sector Specit I Fund
Serengeti Opportunities
Shepherd Investment International
Silver Point Capital
SphereInvest Global High Yield Liquidation Fund Limited
SPT Offshore

## HEDGE FUND MANAGER PRICES

SPT Onshore
Strategic Value Restructuring - SP
Strategic Value Restructuring - SPV (Slice)
Styx International
Styx Partners
Sun Capital Securities
Talisman
Tiger Veda
TPG Axon
Treesdale Fixed Income
Tudor Legacy
Valens Offshore
ValueAct Capital
Warwick Capital
West Face Long Term Opportunities

# SMA Portfolio Advisory Services

Prior to considering any secondary market activity, the Duff & Phelps Secondary Market Advisory works closely with clients to review their current portfolios and present actionable information based on current secondary market pricing indications and a proprietary reinvestment model. Exercising our secondary market and valuation expertise, the Duff & Phelps SMA delivers detailed analysis regarding the estimated future performance of private fund portfolios and the related break-even points for any reinvested sale proceeds.

Contact us today to find out more about our proprietary advisory services!

*($ in millions)*

| Portfolio Holding | Fund Vintage | Performance Quartile | Net Asset Value (NAV) | Estimated Fund Sale Price | Estimated Fund Sale Proceeds | Estimated Total Return to Current Fund Termination | Estimated Multiple of Current NAV | Implied Post-Sale Break-Even Multiple | Implied Post-Sale Break-Even Annual Return |
|---|---|---|---|---|---|---|---|---|---|
| Private Equity Fund 1 | 2011 | 4 (Bottom) | $12.5 | 67% | $8.4 | $14.5 | 1.2x | 1.7x | 6.1% |
| Private Equity Fund 2 | 2006 | 4 (Bottom) | 5.2 | 49% | 2.5 | 5.6 | 1.1x | 2.2x | 20.1% |
| Private Equity Fund 3 | 2012 | 4 (Bottom) | 124.5 | 55% | 68.5 | 144.3 | 1.2x | 2.1x | 9.2% |
| Private Equity Fund 4 | 2008 | 4 (Bottom) | 13.2 | 64% | 8.4 | 14.2 | 1.1x | 1.7x | 11.4% |
| Private Equity Fund 5 | 2011 | 4 (Bottom) | 37.8 | 70% | 26.5 | 43.8 | 1.2x | 1.7x | 5.5% |
| Private Equity Fund 6 | 2013 | 3 (Lower-Mid) | 49.2 | 84% | 41.3 | 57.5 | 1.2x | 1.4x | 3.9% |
| Venture Capital Fund-of-Funds 1 | 2001 | 2 (Upper-Mid) | 9.8 | 67% | 6.6 | 10.7 | 1.1x | 1.6x | 12.7% |
| Venture Capital Fund-of-Funds 2 | 2004 | 2 (Upper-Mid) | 15.6 | 67% | 10.4 | 17.1 | 1.1x | 1.6x | 12.7% |
| Venture Capital Fund-of-Funds 3 | 2006 | 2 (Upper-Mid) | 9.2 | 67% | 6.2 | 10.1 | 1.1x | 1.6x | 12.7% |
| Venture Capital Fund 1 | 2004 | 4 (Bottom) | 18.6 | 52% | 9.7 | 18.6 | 1.0x | 1.9x | 15.4% |
| Venture Capital Fund 2 | 2001 | 4 (Bottom) | 11.9 | 52% | 6.2 | 11.9 | 1.0x | 1.9x | 15.4% |
| Venture Capital Fund 3 | 2007 | 4 (Bottom) | 19.8 | 58% | 11.5 | 19.8 | 1.0x | 1.7x | 12.1% |
| **Total** | | | **$327.1** | **63%** | **$206.1** | **$368.1** | **1.1x** | **1.8x** | **9.3%** |

# Recent Qualifications

### Advisory Services

Arranged the sale of shares in a formerly publicly traded investment vehicle.

Delisted Investment Vehicle Shares

### Advisory Services

Represented a founder of a prominent venture-backed technology company in the sale of a portion of their holding.

Private Company Shares

### Advisory Services

Arranged the sale of a pre-crisis vehicle managed by a European real estate manager to an undisclosed European real estate private equity firm.

European Real Estate Fund

### Advisory Services

Completed the sale of shares in a listed investment vehicle.

Listed Investment Vehicle Shares

### Advisory Services

Coordinated the sale of certain LP interests in a mature European buyout fund.

European Buyout Fund

### Advisory Services

Coordinated interim liquidity for syndicate members of a venture-backed company.

Private Company Shares

## Other Advisory Services

### Fairness Opinion

Provided fairness opinion to a European private equity firm regarding the sale of 9 unrealized investments to an investment vehicle managed by the same general partner.

European PE Fund

### Compliance Advisory

Provided ongoing compliance support to a $15 billion hedge fund focused on the healthcare space.

Healthcare Hedge Fund

### Valuation Opinion

Valued certain partnership interests on behalf of an investor in private equity funds managed by a global private equity firm.

Global PE Portfolio

# Duff & Phelps Q&A: GP-Led Secondaries

**Interview with Ken C. Joseph, Esq.**
**Managing Director, Disputes and Investigations**

**Q:** Recently, Europe has been one of the most active regions for GP-led secondary transactions. Are there any significant regulatory differences between Europe and the U.S. that may be holding back GP-led activity in the U.S.?

**A:** It is true that the secondaries market in general has experienced rapid growth over the last decade and that European GP-led deals have outpaced U.S. deals. I expect that the U.S. GPs will increase activity in the near term, likely driven by pressure from LPs as well as GPs' desire to provide liquidity for investors in funds that were formed in the wake of the financial crisis and which are approaching "zombie" status.

That said, there is no question that in recent years the U.S. securities law enforcement and examination environment has had an impact on the considerations that prudent GPs must factor into the equation when deciding whether to do secondaries, and when determining what form those liquidity events should take. In addition, spurred by heightened regulatory scrutiny and the lessons learned from some well-publicized enforcement actions, LPs are demanding more disclosures from GPs and are performing their own due diligence on the material terms of proposed deals. LPs are also not shy about contacting regulators when secondaries terms are perceived to be unfair, or when their own due diligence uncovers potential inconsistencies.

**Q:** Before launching an offering, what are some things GPs and advisors should keep in mind to help avoid post-transaction regulatory hurdles?

**A:** Because the U.S. Securities and Exchange Commission (SEC) does not pre-review or approve the terms of these private securities transactions, GPs and their advisoers should adopt a 'regulator's eye' and view the terms offered through the lens of an aggrieved LP. In assessing the risks of regulatory scrutiny, GPs should recognize that GP-led secondaries are inherently conflicted transactions, and they should ask themselves:

- What could be perceived as unfair to the client fund, or to the fund's LPs?
- Has the GP disclosed accurately and completely all material information so that LPs can make an informed decision?
- Has the GP identified all material conflicts—including financial incentives—and disclosed those conflicts to the client and to LPs?
- Has the GP disclosed all material interests that the GP has in the outcome?
- Has the GP favored any party to the transaction, and has the process been made transparent and legally compliant?
- Have material terms, such as valuations, been determined after proper due diligence and with input from independent experts?

At every level of inquiry, GPs/advisors should always remember that they are fiduciaries and are subject to the anti-fraud and other applicable provisions of securities laws.

**Q:** In a potential review of a GP-led transaction, are there any primary areas of focus for the U.S. SEC? If so, what are they?

**A:** Beginning in 2014, there has been an uptick in U.S. regulatory scrutiny on private equity funds, particularly on those engaged in transactions where there may be inherent conflicts, potential lack of parity of access to material information, and where there were concerns over adherence to fiduciary duty obligations to put the interest of the client fund and by extension investors in the fund above all else.

Specifically, U.S. regulators have examined and investigated concerns that GPs may have:

- Operated funds beyond the expected end-of-life, without complying with notice and investor consent obligations reflected in fund documents
- Continued to collect management fees on "zombie fund" investments, with little incentive to wind-down those investments for the benefit of fund LPs

- Continued to collect monitoring and board fees, without determining whether winding-down those investments would better serve the interests of the fund and its investors
- Sought to improperly extend the life of funds, or alter management fee and carried interest hurdles
- Made incomplete or inaccurate representations in solicitation documents
- Withheld or used material non-public information in a manner that harmed client funds or LPs
- Failed to comply with U.S. securities tender offer rules (for deals involving tender offers)
- Improperly valued assets in secondaries
- Improperly collected fees from, or inappropriately shifted expenses to advised funds
- Failed to offset certain compensation obtained as a result of the transactions
- Improperly obtained transaction-based compensation, without complying with the broker-dealer registration requirements
- Made full and fair disclosures to client funds, or to investors in those funds; and
- Otherwise breached obligations to non-selling LPs who remain invested in the fund

**Q:** To investors in private assets, the U.S. SEC's priorities can sometimes seem a bit inscrutable. How can investors in private assets best stay informed regarding relevant U.S. SEC actions and news?

**A:** Obviously getting advice and counsel from informed consultants and legal advisors is one way investors can stay current on the industry-specific risks and priorities of the U.S. SEC. In addition, the U.S. SEC has increasingly used a range of public platforms as part of its strategy to deter misconduct and encourage compliance with its rules and regulations. For example, investors should consider subscribing to:

- News announcements from the U.S. SEC (available here: https://public.govdelivery.com/accounts/USSEC/subscriber/new?qsp=1412);
- Priorities and risk alerts (available here: https://www.sec.gov/ocie);
- Enforcement actions (available here: https://www.sec.gov/litigation/litreleases.shtml);
- Periodic guidance (available here: https://www.sec.gov/divisions/investment/guidance.shtml#private-funds) and commission speeches (available here: https://www.sec.gov/news/speeches).

LPs employing this do-it-yourself approach may still need objective and informed guidance to put the U.S. SEC-provided information into context, to interpret the nuances and to assess how their particular set of facts and circumstances may be impacted by the Commission's pronouncements.

**Q:** Are there any resources available to LPs to help them evaluate, from a regulatory perspective, GP-led transactions involving funds in which they are invested?

**A:** The U.S. SEC does not opine prospectively on the merits of GP-led secondaries. LPs therefore must either rely on GPs to act in the LPs' interest, or diligence the proposed deal themselves. While LPs may be eager to get liquidity for a variety of reasons, many may not have sufficient expertise onboard to properly diligence and evaluate the GP-led deals and may not even be familiar with the process sufficient to determine where interests may not be aligned. Under these circumstances, there is really no substitute for competent and informed legal and consulting advice from knowledgeable persons. Expertise in assessing the risks, costs, benefits, valuation, pricing and overall fairness of the proposed transaction is crucial.

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**Q:** From a regulatory perspective, in what areas can an advisor add the most value in a GP-led secondary transaction?

**A:** As much as trusted, independent and knowledgeable advisors can assist LPs to diligence the proposed transactions, such advisors can add value and reduce the risks to GPs as well. GPs who want to get it right and minimize the risk of regulatory scrutiny or LP lawsuits can find value in employing independent, knowledgeable and conflict-free third-party advisors to help them navigate the complex world of secondaries. Regulators tend to get involved when things go wrong and to review actual or potential misconduct with a retrospective lens. If a GP finds itself in the regulatory crosshairs, the GP can bolster its defense by demonstrating that it took reasonable steps and followed proper procedures to diligence transactions, to value assets, to disclose material information and conflicts, and documented its adherence to the fiduciary and compliance rules. Doing so will generally help to demonstrate the GP's lack of malintent to breach its fiduciary obligations, assuming such failings even occurred.

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