



Stephan Schäli Head Private Equity, **Robert Lustenberger** Investment Solutions Europe, **Philipp Schnyder** Co-Head Private Equity Secondaries

Private equity secondaries: Key components of value creation

Partners Group Research Flash June 2012



Partners Group
Passion for Private Markets

Dr. Stephan Schäli
Partner, Head Private Equity

Martin Ruetz
Senior Vice President, Private Equity Secondaries

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EXECUTIVE SUMMARY

Partners Group believes that the private equity secondaries market will remain robust and attractive in light of fundamental changes in the regulatory landscape (e.g. Basel III, the Volcker Rule, Solvency II, etc.) as well as continued portfolio management activities by investors. Ongoing disposals of non-core assets by banks can be expected as relatively few institutions have fully disposed of their private equity assets to date.

Non-banking institutions also contribute significantly to secondary market activity as other large institutional investors are expected to increasingly use the secondary market as an active portfolio management tool rather than as a pure liquidity solution, even though resolving over-allocation issues and liquidity needs remain important drivers for these investors.

Based on these current market dynamics, private equity secondary investing can be a key contributor to the overall achievements of a private markets investment manager and can lead to outperformance. This research flash will explore the important yet less readily apparent factors that contribute to successfully finding, developing and performing diligence on proprietary investment opportunities.

A systematic approach to sourcing using firm-wide resources and having a clear delineation of responsibilities yields best results when generating proprietary investment opportunities. It is also necessary to determine early on the direction of an investment opportunity and formulate a winning strategy in order to develop a situation accordingly while creative and compelling investment structuring can help differentiate a potential buyer from a seller's perspective.

Furthermore, a thorough understanding of the underlying assets in each investment can be achieved through collaboration and cooperation across specialized teams and the utilization of resources to the fullest extent possible. An evaluation of underlying assets should also incorporate input regarding the macroeconomic outlook, an assessment of investment partners and relevant research from industry vertical specialists. Last but not least, secondary investors maintain an investment advantage through their ability to provide sellers with the certainty of a highly professional and swift, confidential closing process through dedicated in-house execution capabilities.

These factors play an integral role in executing a secondary strategy as part of a broader private markets investment program. This report will include an in-depth look at how these factors are implemented and will also focus on examples of past investments that highlight the value proposition of each of these elements.

This publication represents a non-exhaustive review of key components to value creation in private equity secondaries as every investment opportunity is unique and requires a tailored solution to successfully execute the strategy on a global basis.



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UNDERSTANDING HOW AND WHY PRIVATE EQUITY OUTPERFORMS

As discussed in Partners Group's January 2012 research flash, "Understanding private equity's outperformance in difficult times," private equity investments outperform public markets and offer an attractive risk profile at the same time due to three systematic advantages that are inherent to the private equity business model:

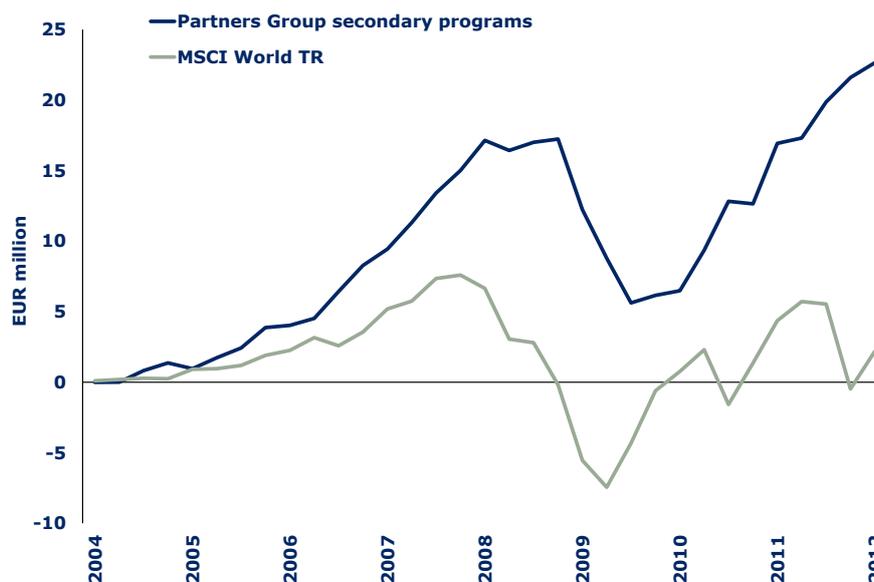
- The investment selection process is based on the operational performance of a company and in-depth information provided in a due diligence process;
- Investors' long-term orientation enables sustainable value creation strategies beyond short-term results; and
- Corporate governance structures allow private equity investors to actively engage in a portfolio company's management and implement operational improvements.

The benefits of the private equity approach can be further enhanced through secondary investments that mostly eliminate blind pool risk and thus allow investors to evaluate an existing portfolio prior to making an investment decision. Thorough analysis of the underlying assets is crucial to identify which potential secondary investments are poised to outperform when taking into consideration the above-mentioned systematic advantages of the private equity business model. As a result, secondary investments typically have increased transparency at the outset and investors can more accurately project the extent to which the private equity business model will generate future value creation at the company level.

As evidenced by the chart below, which compares the performance of some of Partners Group's secondary programs since inception in 2004 to the MSCI World Index, the firm's secondary investments have consistently outperformed the public markets.

Exhibit 1: Net gains since inception

Cash flow-weighted outperformance over the MSCI World TR of 8.9% p.a.



Source: Partners Group. Net gains calculated assuming a commitment of EUR 100m, equally split across the above programs. Annualized out/under-performance is calculated using the Static Spread methodology.

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The following sections will examine in further detail the drivers behind this performance, which is attributable not only to superior asset selection or purchasing assets at a discount relative to net asset value, but also to a variety of other important factors that influence the quality and nature of secondary investments.

SECONDARY INVESTMENT VALUE DRIVERS

Investors should recognize that the drivers of a successful secondary investment strategy go beyond simply acquiring assets at a discount to their stated net asset value or perceived intrinsic value. Rather, it is essential for secondary investors to consider all angles and sources of potential lead generation in order to develop high-quality and actionable deal flow that will ultimately close and generate superior returns.

Partners Group focuses on the development and consistent use of a specialized skillset that contributes meaningfully to the execution of a comprehensive secondary investment strategy. These skills include:

- A targeted, global sourcing effort;
- Persistence in investment development and flexibility in structuring;
- Enhanced due diligence capabilities;
- Deep knowledge of underlying investments and investment partners; and
- Strong closing and execution capabilities.

The above factors are necessary elements of a successful investment strategy since asset selection and evaluation on a standalone basis cannot guarantee outperformance.

The core objective of Partners Group's secondary investment activities is to leverage the firm's deep resources to identify high-quality assets that are undervalued by the market or which are poised for significant value creation. Accordingly, the firm will draw on its extensive insight as a direct equity and direct debt investor as well as its numerous relationships with investment partners to discover and proactively pursue appealing situations leading to proprietary investments.

SOURCING

Sourcing and generating proprietary deal flow is the lifeblood of a successful secondary investment strategy. Secondary buyers cannot rely on intermediaries for deal flow; rather, they need to develop and maintain a strong industry network with investment partners in order to generate proprietary opportunities. Furthermore, buyers need to identify various seller motivations ahead of time and find the right angle to a situation in order to stay ahead of competitors.

For example, buyers may want to consider the following questions when trying to identify and assess the viability of potential investment opportunities:

- Are there any potential sellers of high-quality assets that are currently under pressure due to economic, regulatory, or political reasons?
- What are the true objectives of an identified seller and is there a certain time pressure to solve a particular problem?
- Are there any special seller needs which require structuring capabilities? If so, should this modality be considered during initial conversations?

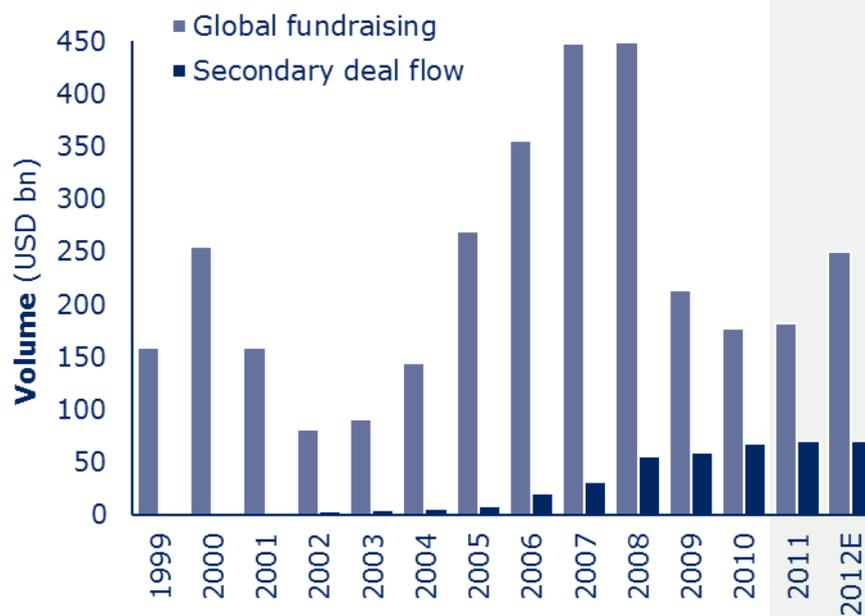
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- Is the potential seller willing to move forward on an exclusive basis?

Thinking about these issues helps buyers prioritize sourcing efforts. With over 4'800 limited partners worldwide,¹ the size of the secondary market is vast both in terms of the number of potential secondary sellers and actionable deal flow. Historically, the size of the secondary market has been based on annual turnover of approximately 3-5% of new capital to the market. As large institutional investors are expected to increasingly use the secondary market as an active portfolio management tool rather than as a pure liquidity solution, Partners Group expects a larger portion of assets to be sold going forward, resulting in a supply-demand imbalance in favor of buyers.

Exhibit 2: Secondary market

Active portfolio management supports the sustainability of the current level of deal flow



Source: Partners Group estimates based on private equity deal flow; global fundraising data by Preqin (excludes real estate & infrastructure).

Given the sizable amount of activity in the secondary market, Partners Group aims to be proactive in looking for proprietary investment opportunities across the globe that yield better performance versus competitive, intermediated transactions where pricing and other dynamics may be less attractive.

Integrated global sourcing strategy

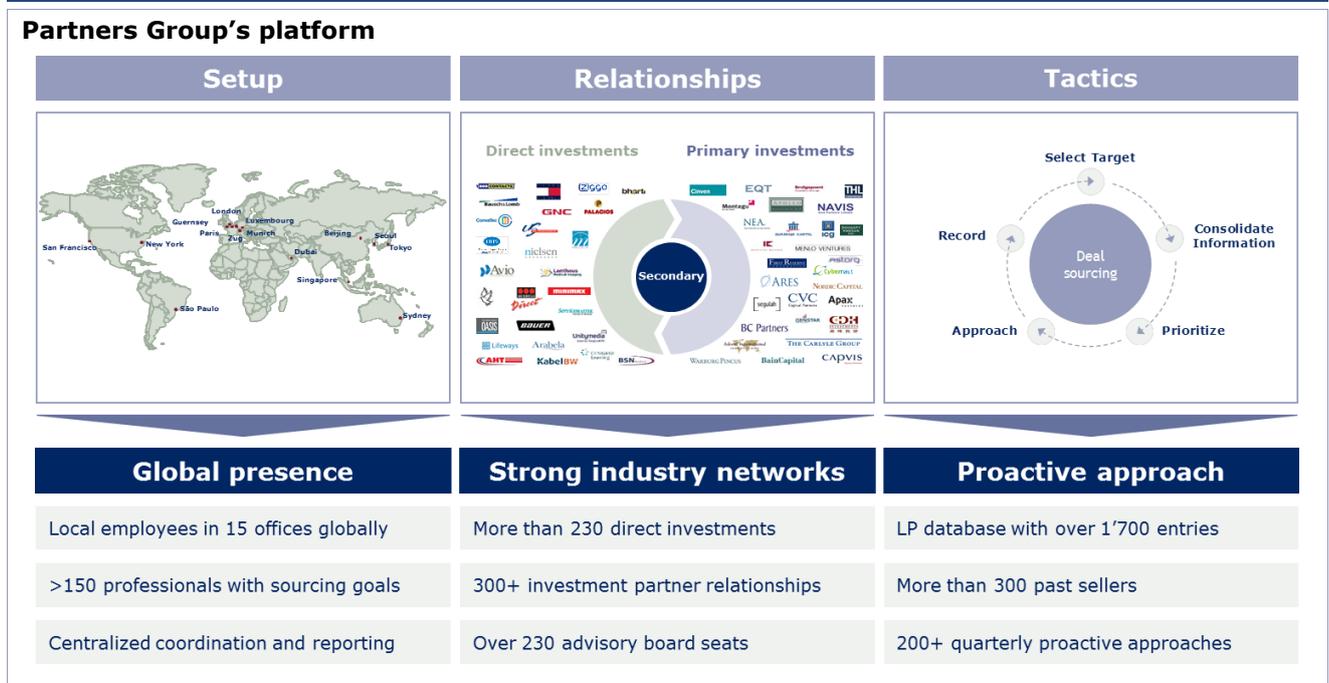
A systematic approach to sourcing using firm-wide resources and having a clear delineation of responsibilities yields the best results. Given continuously changing market dynamics, maintaining a coordinated and consistent sourcing effort is highly important for generating deal flow. Furthermore, a global approach to sourcing is increasingly necessary as private equity assets in emerging markets mature and secondary investment volume increases in those regions.

¹ Source: Preqin.

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Consequently, Partners Group has over 150 professionals located in Europe, North America and Asia that have sourcing goals and actively cover potential sellers across all geographies and types (e.g. pension funds, endowments, family offices, insurance companies, banks, individuals, etc.). Training and reporting of all secondary-related sourcing activity is centrally coordinated, with the result that Partners Group's extensive network of relationships is used in a highly efficient manner. For example, a potential seller in Japan may prefer communicating with a buyer based in his local market where the counterparty not only speaks the native language, but also understands specific cultural concerns and objectives. Thus, a local representative of a global firm can bridge ties through "on-the-ground" interaction with a seller and develop the situation in close cooperation with dedicated secondary professionals. An integrated global platform is set up to achieve and maintain such dynamics across all asset classes and investment types, including secondaries, as illustrated below:

Exhibit 3: Significant global resources augment sourcing efforts



Individual sourcing goals should be allocated to professionals with external exposure which encourages reaching out proactively to potential sellers and establishing a relationship that is maintained through numerous follow-up initiatives. These efforts should also be recognized in the year-end compensation scheme of a firm. A global integrated sourcing effort across business lines and asset classes offers significantly greater deal flow than secondary-only managers with typically smaller headcount and limited reach. Additionally, a secondary investment team should regularly update its pricing and long-term outlook for the currently most attractive assets and share these views with sourcing professionals so that they are aware of which assets to pursue and which sellers to approach. Lastly, strong relationships with investment partners also provide prime access to secondary opportunities due to the fact that investment partners must consent to the transfer of an asset and thus may only be willing to give approval to certain preferred buyers who can add value over the long term.

Overall, sourcing efforts at Partners Group resulted in the screening of USD 70 billion in secondary investment opportunities in 2011, of which half was generated internally, whereas the other half stemmed from sellers who directly or indirectly approached Partners Group

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based mainly on the firm's long term track record in secondary investing.

Looking beyond deal flow screening to closed investments, firm-wide sourcing efforts have yielded success in the manner first envisioned when sourcing activities became more integrated across the firm's global platform. For example, over the course of several years, Partners Group was in contact with a wealth manager for several family offices that was initially interested to further deploy capital in private markets. Through regular visits and conversations, the team built a strong relationship and gained familiarity with its existing portfolio and investment objectives. Given this knowledge and sense of "pressure points," the team realized during the global financial crisis that some of the family offices would need to reduce their exposure to private equity. Thus, Partners Group proactively contacted the wealth manager and was able to offer a comprehensive liquidity solution across multiple asset classes (private equity and real estate) which the seller accepted. One year later, when other family office clients decided to sell additional assets, Partners Group was able to swiftly close another purchase since agreed upon legal documentation already existed, providing for a smooth and rapid execution process.

Specific sourcing themes should also be developed and are used to guide proactive efforts. In particular, during the global financial crisis, the Partners Group secondary team researched and monitored banks that held various alternative investments ranging from large, diversified portfolios to small single line investments. The liquidity needs of banks during this time and the subsequent impact of regulatory changes which led to further asset divestitures represented a large opportunity for buyers. Partners Group has successfully screened almost all opportunities in this sector and ultimately closed on more than a half-dozen investments in the recent past.

In addition, the firm maintains an active dialogue with over 120 intermediaries while other secondary investors typically focus on only several of the larger intermediaries. These relationships with smaller intermediaries can prove to be beneficial as they increase the universe of potential sellers due to their relationships with "off the radar" limited partners in various geographies.

INVESTMENT DEVELOPMENT AND STRUCTURING

Once an investment opportunity is identified and discussions with a seller have begun, multiple issues arise with respect to a seller's desires and objectives. It is therefore necessary to determine early on the direction of an investment opportunity and develop a winning strategy. As a result, Partners Group considers the various moving parts of an opportunity in the early stages of development and discusses the situation development of potential investments on a daily basis in order to prioritize resources according to current deal dynamics.

With respect to structuring an investment, having a large in-house team including transaction and execution professionals that can assess relevant matters and determine if any issues may pose an obstacle to a potential investment and how to best resolve them is essential. This includes addressing the specific needs of the seller by determining how to structure an investment with regards to the underlying assets in light of applicable legal or tax considerations and meeting all requirements of parties involved. Therefore, the legal services and transactions team should be involved from the beginning when a potential secondary lead is being generated. Creative and compelling investment structuring helps to position and differentiate the counterparty from the seller's perspective. A wide array of structuring techniques can be used that may include:

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- Deferred, contingent or earn-out payments;
- Special purpose vehicles;
- Hedging of public holdings; and
- Bridging facilities and joint ventures.

Developing an opportunity from beginning to end can be complex and often an investment will go through multiple iterations before reaching a finalized form.

As an illustrative example, Partners Group recently purchased a portfolio of assets from a pension plan with which it had been in discussions for over a year. As the pension plan was motivated by portfolio management reasons and not liquidity needs, it was highly price-sensitive. Hence, the seller was only willing to accept a "par bid" (i.e. no discount to net asset value) or better. Partners Group convinced the seller to (1) reference the secondary pricing to the previous quarter and thereby use outdated, lower net asset values (given the portfolio had recently been written up), and (2) share the content of their entire portfolio to allow Partners Group to identify those assets with the highest appeal.

The pension plan followed this advice, which allowed Partners Group to select the assets that were visibly "in the money" and thus could be purchased close to the reported net asset value with comfort that the price reflected a discount to Partners Group's assessment of the intrinsic value of the assets. In order to meet Partners Group's stringent return targets, the team selected several investments, which, following confirmatory due diligence, were priced below par. To bridge the pricing gap with the seller, Partners Group drew on its industry relationships and network to find other buyers willing to pay a premium to the net asset value for a subset of the portfolio such that, when blended with Partners Group's discount bid on the other assets, allowed Partners Group to deliver a par bid to the seller. This creativity in developing the opportunity allowed for the successful closing of a large secondary investment.

As highlighted in the above example, there are various ways to develop an opportunity and successfully close on an investment despite obstacles that may initially appear. Secondary buyers therefore need to consider creative methods for the benefit of the sellers to close on proprietary opportunities.

ENHANCED DUE DILIGENCE PROCESS

Success in secondary investing requires a thorough understanding of the underlying assets in each investment and recognition that the true intrinsic value may be substantially higher or lower than the reported net asset value. Key determinants of value include company-level fundamentals, industry trends, exit prospects and timing and the manager's ability to execute its strategy successfully. The art of secondary valuation thus lies in understanding these factors, the interplay between them, and their relative importance for a given investment opportunity.

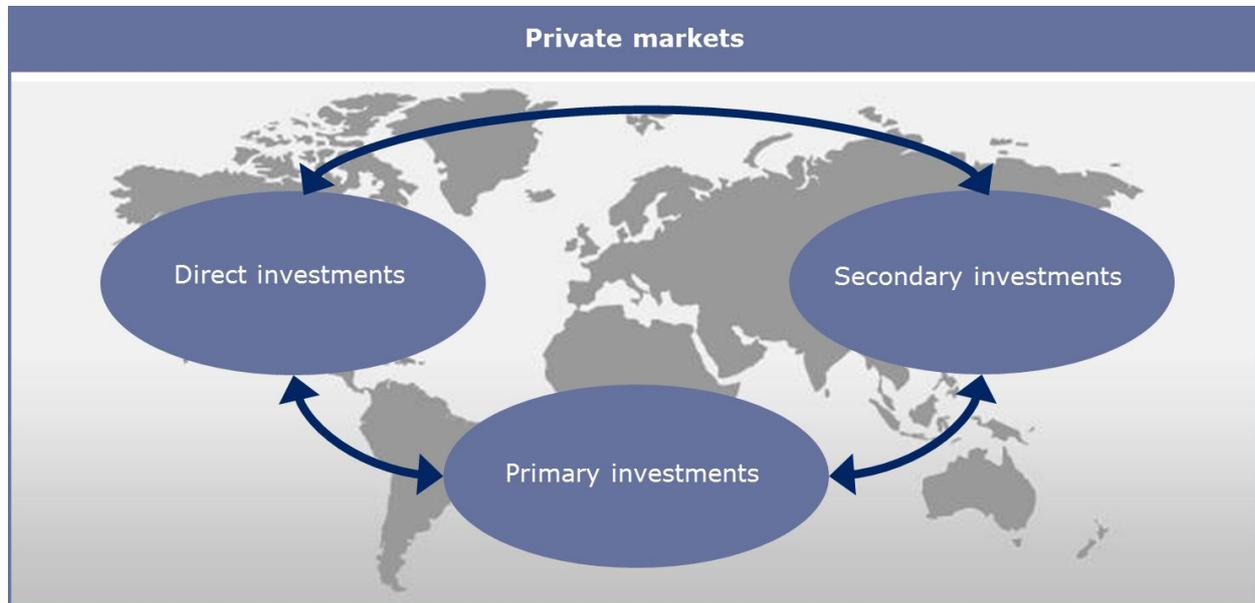
Partners Group's strategy in the current market environment

Bottom-up analysis of secondary investments is enhanced by following an integrated investment approach, as the secondaries team regularly consults with and incorporates analysis from the firm's direct equity, direct debt and primary investment teams into its analysis of secondary opportunities. As demonstrated in the graphic below, the secondary team makes use of all knowledge available within Partners Group's investment platform, across all investment types and asset classes.

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Exhibit 4: Global integrated approach

Collaboration and cooperation across teams and sectors contributes to success



For example, Partners Group recently completed a secondary investment in which the underlying portfolio had 15 companies. Partners Group knew the portfolio extremely well as it was a direct equity and/or debt investor in four of the companies and had previously performed diligence on two other companies for potential direct equity investments. This overlap and knowledge of the portfolio enabled the team to accurately assess its performance potential and price it accordingly. In addition, the firm had a longstanding relationship with the investment partner through collaboration on the aforementioned direct investments as well as via primary investments in several of its vehicles. The secondary team benefited from this relationship since it had easy access to the investment partner during the diligence process. Diligence sessions conducted directly with the investment partner helped confirm the analysis done by the team as well as helped provide a better understanding of unique aspects of certain investments in the portfolio (e.g. downside protection of preferred equity structures). In summary, the firm's integrated approach added significant value to the secondary team's investment process and helped it secure an attractive portfolio of assets at the inflection point of its value creation cycle.

Value navigator

The ability to draw upon relevant information necessary for a fundamental analysis of a secondary investment remains key. Partners Group magnifies the valuation expertise of its investment professionals with the Value Navigator, a proprietary fund and portfolio company tracking system that draws from an underlying database of more than 6'000 companies. The firm's professionals use the Value Navigator to track detailed investment information for a substantial portion of these companies, typically including the relevant ownership stake, revenues, EBITDA, net debt, enterprise value and acquisition multiple. In addition, Partners Group typically monitors a company's sales growth, EBITDA margin development and debt repayment capacity throughout the investment cycle. In this way, the Value Navigator captures the data generated through Partners Group's extensive primary, secondary and direct investment activities and turns it into usable information.

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Relative value investing

The secondary team also incorporates the findings and outlook of Partners Group's Relative Value Committee into its analysis of investment opportunities. The guidance provided by the Relative Value Committee on the macro investment environment along with specific suggestions regarding favourable versus non-favourable geographies and asset types helps the secondary team assess portfolios as well as compare potential investments side-by-side in order to determine which opportunities to pursue. The table below shows Partners Group's private equity relative value matrix for H1 2012:

Exhibit 5: Private equity relative value matrix H1 2012

Relative Value Matrix													
	North America			Europe			Asia/emerging markets						
Buyout	Large	Mid	Small	Large	Mid	Small	Large	Mid	Small	Directs			
	Inflection assets		Mature assets		Inflection assets		Mature assets		Inflection assets		Mature assets		Secondaries
	Large	Mid	Small	Large	Mid	Small	Large	Mid	Small	Primaries			
Venture/growth	Venture	Growth		Venture	Growth		Venture	Growth		Directs			
	Inflection assets		Mature assets		Inflection assets		Mature assets		Inflection assets		Mature assets		Secondaries
	Venture	Growth		Venture	Growth		Venture	Growth		Primaries			
Direct buyout sectors	Media/telecommunication	Consumer		Media/telecommunication	Consumer		Media/telecommunication	Consumer		Direct buyout sectors			
	Information technology		Healthcare		Information technology		Healthcare		Information technology		Healthcare		
	Financials	Industrials		Financials	Industrials		Financials	Industrials			Financials		Industrials

How to interpret the table: The relative value matrix divides the private equity market into various private equity segments, defined by regions (North America, Europe and Asia/emerging markets) and financing stages (venture/growth and buyout). Each segment is subdivided by the different types of investment available (directs, secondaries and primaries). For direct and primary investments in buyout, we classify the investment by size (small cap up to EUR 250m (Europe) or USD 250m (USA); mid cap from EUR 250m to EUR 1bn (Europe) or USD 250m to USD 1bn (USA); and large cap from EUR 1bn to EUR 3bn (Europe) or USD 1bn to USD 5bn (USA) enterprise value), and for secondary investments in buyout and venture/growth, we distinguish between inflection assets (early stage) and mature assets according to asset/portfolio age. In venture/growth, directs and primaries are again classified by financing stage (venture – early through late stage financing, and growth – cash-flow positive firms with exceptional growth opportunities in need of additional capital to finance further expansion). Green and light green highlight a segment with high relative attractiveness given Partners Group's specific capabilities and deal flows. White highlights a neutral segment. Yellow and light yellow mean that Partners Group underweights the segment and requires even more so a very dedicated bottom-up selection effort (and valuation, when it comes to secondary and direct opportunities).

Source: Partners Group H1 2012 Private Markets Navigator

Industry value creation

Another firm-wide resource available to the secondary team is the Industry Value Creation group with specialized research teams across the following seven verticals:

- Healthcare;
- Media/Telecommunications;
- Consumer Discretionary/Staples;
- Infrastructure/Energy/Utilities;
- Information Technology;
- Financials; and
- Industrials.

Each of these teams performs comprehensive research on its respective vertical and team members are assigned to work with the secondary team upon request to help evaluate investment opportunities. The scope of the Industry Value Creation team's contribution can range from providing analysis and insight on a specific industry such as current trends and valuation multiples to a much deeper dive on one specific portfolio company that may be a

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large value driver within a specific investment opportunity. In addition, it is necessary to understand exit opportunities by researching current IPO market conditions, recent M&A transactions, and developing a list of potential strategic and financial acquirers of a business. This process helps validate purchase price, exit timing and valuation assumptions for the underlying companies in a secondary investment. In addition, such key assumptions are checked with independent industry experts and opinion leaders.

In a recently completed investment, Partners Group purchased a secondary direct portfolio of significant minority ownership stakes in three assets. The Industry Value Creation team was heavily involved in the diligence effort and provided specific expertise and guidance on the relevant industry sectors and companies; without the capacity of such Industry Value Creation teams, a complete and thorough assessment of companies and sectors is difficult.

In summary, a secondary investor is required to have a wide array of resources at his disposal, all of which contribute to supporting the evaluation of investment opportunities and ensuring that due diligence is performed to the fullest extent possible.

DEEP KNOWLEDGE OF INVESTMENT PARTNERS

The secondary investment team incorporates as much information as possible on an investment partner into the evaluation of a potential opportunity. For example, while performing diligence on a specific investment partner as part of a broader secondary investment opportunity, the secondary team had access to a detailed company-by-company track record analysis performed by the primary investment team. The primary team had done its own recent diligence on the investment partner as it was raising a new fund, and the empirical data was used for performance attribution (homerun exclusion, industry valuation multiples, geographical split, partner-by-partner performance, etc.) in order to determine unfunded multiple assumptions in the secondary analysis. The data gathered was also used to assess trend-setting patterns of preferred exit routes and value creation strategies that highlighted the style of the investment partner.

Since an investment partner must approve of the buyer in a secondary transaction and may sometimes have restrictions, a sale process can potentially become difficult for sellers to complete. Partners Group can help resolve this problem since investment partners see the firm as a preferred buyer due to its extensive network and ability to add value through a global presence. For example, the firm can facilitate key introductions and offer strategic support to portfolio companies owned by its investment partners through its own diversified portfolio of direct investments and knowledge of various local markets.

CLOSING AND EXECUTION CAPABILITIES

Partners Group also maintains an investment advantage through its ability to provide secondary sellers with the certainty of a highly professional and swift, confidential closing process. Sellers value this aspect of a transaction, which may sometimes outweigh price considerations depending on a seller's specific constraints. Thus, flexibility in negotiations and a quick decision-making process can contribute to securing an investment opportunity.

As part of the closing and execution process, specific legal, tax and accounting requirements of clients that participate in an investment must be addressed since they are often in multiple jurisdictions. Consequently, the investment team relies on a dedicated in-house team comprised of more than 30 professionals with expertise in legal and tax services to address

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such issues. These professionals complete a thorough review of documentation pertaining to the assets being acquired as well as handle the negotiation process. Structuring the acquiring entity or entities to meet the particular needs of a transaction is also necessary in certain cases. For specific topics that may require additional expertise, the legal services and transactions team and the tax services team will work with external counsel.

Exhibit 6: Solving complex situations unlocks hidden value and reduces competition

Source of complexity	Requirements	Advantage
Investment structures e.g. where assets are not held directly but through complex constructs	Structuring skills & resources Ability to solve complex investment and tax structures globally	Reduced competition; tax benefits
Diverse underlying assets e.g. where portfolios include other private market assets than pure private equity	Pricing capabilities Ability to price secondaries across different private market asset classes	Price advantage by offering complete, one-stop solutions
Incomplete deal situations e.g. where only a partial sale was achieved through an auction process	Ability to move fast Capabilities to timely price assets in order to provide solutions & lock in sellers	Favorable price treatment by providing 'mosaic' solutions

As an example of how these execution capabilities are critical, a recent investment would not have been completed without the ability to evaluate a number of legal, tax and structuring considerations in-house prior to closing. The highly complex, multi-asset investment contained over 300 underlying companies and was diversified across the U.S., Europe, Asia-Pacific and Latin America. Due to the various and unique structures used by the seller when making the original investments and a number of limitations on the structure imposed by the seller, the ability to quickly and accurately analyse the tax and legal issues of those structures became crucial. Partners Group was the only potential buyer with the capacity to handle this complexity and offer a solution for the entire portfolio. As a result, Partners Group was able to secure the investment at an attractive price. Overall, Partners Group spent a considerable amount of time and resources working with the seller to meet its needs with respect to the closing and execution process while simultaneously negotiating transfer agreements with multiple investment partners.

Certain aspects of another recent investment further highlight the value-add of in-house legal capabilities. Since the investment involved the acquisition of significant direct ownership positions (non-controlling) in three companies, shareholder agreements had to be reviewed and re-negotiated for each asset simultaneously in a relatively short time period. Partners Group also performed legal due diligence directly on the companies, including the review of key customer contracts and supplier agreements. Lastly, a special purpose vehicle was set up to acquire and hold the assets.

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CONCLUSION

Developing a comprehensive investment strategy in private equity secondaries is about much more than the simple notion of buying “good” assets at a discount to the stated net asset value or perceived intrinsic value. Secondary buyers need to cultivate specialized skills that contribute to various aspects of the investment process. Without these skills, it is difficult to build a portfolio of secondary investments that will outperform over time as significant value is derived from integrating these elements into the investment process on a daily basis. These skills include:

- A targeted, global sourcing effort;
- Persistence in investment development and flexibility in structuring;
- Enhanced due diligence capabilities;
- Deep knowledge of investment partners; and
- Strong closing and execution capabilities.

As a result, an integrated platform that can support a secondary investment program with a broad array of resources is essential for global secondary investors to be able to operate efficiently and effectively in the market.

Partners Group has the necessary resources to support a successful secondary investment strategy and can take advantage of its global platform and network of relationships with potential sellers and investment partners in order to secure the most attractive investment opportunities. Since inception of its secondary programs, Partners Group has continually refined its investment strategy and skills and has developed a strong track record in global secondary investing. This success is due to a confluence of factors, including:

- The growth and expanding global presence of the firm with currently 15 offices worldwide;
- The development of sourcing responsibilities and capabilities of over 150 investment professionals, resulting in USD 70 billion of deal flow screened in 2011 of which USD 1.7 billion was successfully converted to closed investments, demonstrating the highly selective investment approach of the firm;
- The integrated approach and sharing of information across investment teams;
- The firm’s proprietary database of over 6’000 private companies which provides a real-time information advantage;
- The relative value investing approach that provides guidance on the macro investment environment along with specific suggestions regarding favourable versus non-favourable geographies, sectors and asset types;
- The Industry Value Creation group with specialized research teams across seven verticals, which allows for a much deeper dive into specific portfolio companies and/or investment opportunities;
- The in-house legal services and transactions team which assesses relevant matters by determining how to structure an investment with regards to the underlying assets in light of applicable legal or tax considerations and therefore is able to execute investments in a timely manner to the benefit of all involved parties; and
- The continuous development of tools and resources to enhance the due diligence process.

Each of these factors has allowed the Partners Group investment team to approach opportunities from all angles, thus increasing the amount of proprietary and actionable deal flow.

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In summary, this publication represents a non-exhaustive review of key components to value creation in private equity secondaries as every investment opportunity is unique. Nevertheless, the aspects outlined in each section of this report – individually and combined – provide a closer insight into how to approach the vast opportunity set available to secondary market participants and aims to help understand specific elements of a successful secondary investment strategy.



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Client contact:

Kathrin Schulthess

Investment Solutions

Phone: +41 41 784 65 81

E-mail: kathrin.schulthess@partnersgroup.com

Media relations contact:

Dr. Anna Hollmann

Phone: +41 41 784 63 72

E-mail: anna.hollmann@partnersgroup.com

www.partnersgroup.com



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