BRIGHT HARBOR ADVISORS

Global Limited Partner Survey Report 2013

Introduction

Six years after the global financial crisis began, US public equities are back at record highs, Europe is beginning to recover and Asia is showing signs of tempering growth. Since our last publication in Q4 of 2011 a fair amount has happened in the markets and macro-economic landscape. Greece defaulted sending shockwaves through Europe and the rest of the world followed by deterioration on the Sovereign Bonds of the much larger economies of Italy and Spain. In the US, as we go to press, Bernanke has started to signal a slowing of the Quanitative Easing III program that began in 2012. Meanwhile in Asia the GDP growth rate has contracted to track at 7.5%, the slowest in 13 years.

Outside of the macro-cycles we have seen credit spreads begin to tighten in the US partially as a function of a resurgence in the CLO market. Capital has followed credit players in Europe as participants look to take advantage of dislocations and we have seen a broad softening in the 'core' emerging market economies of China, Brazil and India. In the secondary asset class, the volume of transactions in 2013 has started out slow and appears to be on track to match the tepid transaction volume of 2012. Can the dealflow satisfy all of the capital that has been raised? We will see by the pricing fluctuations.

To take the pulse of the private equity industry and identify key opportunities and contstraints for global private equity investors, Bright Harbor Advisors conducted its 2013 LP Survey, collecting data from 101 world-wide institutions ranging from $300 million to over $100 billion in assets under management.

Overall, we found that (75%) of global participants that we define as traditional investors (excluding secondary funds and fund of funds) held between 0-20% in private equity while (25%) held greater than 20%. Approximately 28% of these firms were underallocated to private equity based on their actual versus target exposures.

Investors continue to find the US as the most attractive region for private equity investments, with a strong interest in lower/middle market buyout and growth equity strategies. This has remained consistent since our last survey, but participants also found the US public equity market to be the most overvalued when compared to other countries.

Investing in Other European (non-Western) countries has come back into favor and ranked second for our participants. China, on the other hand, fell from being the first and second most attractive geography in our previous two surveys to outside the top five regions for 2013. This rank decline can be attributed to the lack of meaningful exits and distributions as well as broad uncertaintly for growth prospects as a result of overleverage (both State Owned Enterprises and private) that is being managed.

Although LP commitments have grown globally the last five years, there are still multiple challenges facing private equity today. Feedback from participants on some of the challenges they face include macroeconomic challenges, manager fees and overvalued targets. Without the ability of LPs to influence macro challenges or overvalued targets, the focus has partially shifted to fee negotiations.

Lastly, many LPs are earmarking less of their private equity allocation for secondaries than we have seen in years past. It is interesting to note that 30% of Traditional and 40% of Non-Traditional (fund of funds/secondary Funds) Investors surveyed have 0% allocated to the strategy. Another quarter of investors surveyed have less than 10% of their private equity allocation earmarked to secondary funds.

We hope this report provides an interesting view into the current global private equity market. The team at Bright Harbor would like to thank the survey respondents for taking the time to share their unique views and perspectives. As always, we welcome any feedback you may have.

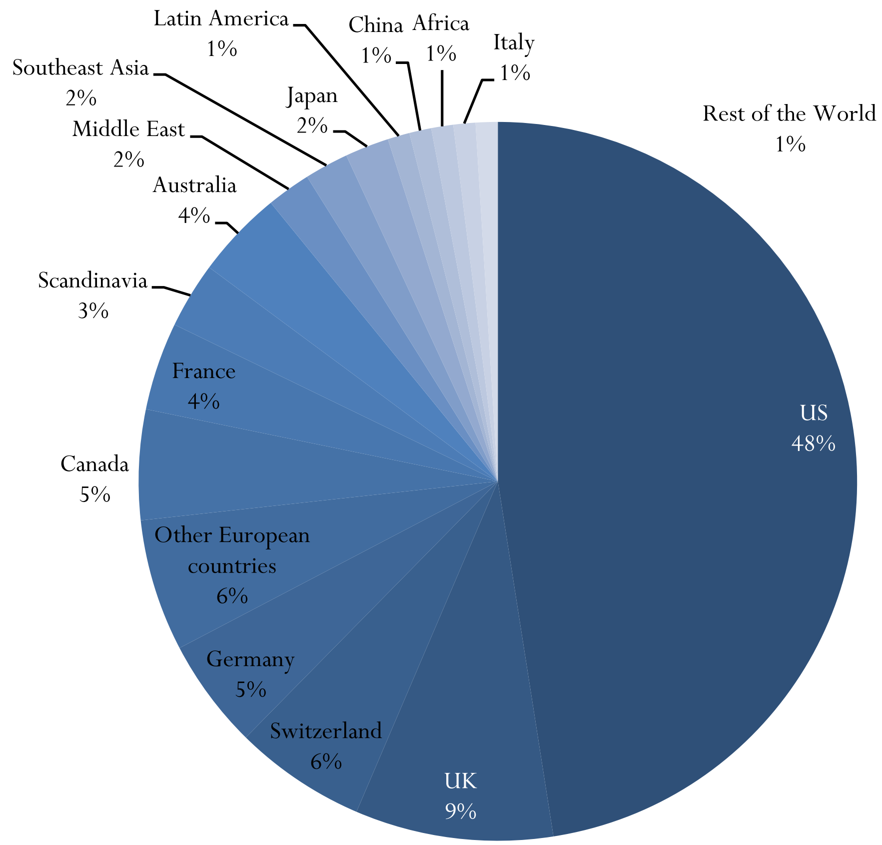
Respondent Overview

The 2013 Bright Harbor LP Survey collected data from a diversified base of 101 qualified investors who are located in over 20 countries with a combined private equity allocation exceeding $500 billion.

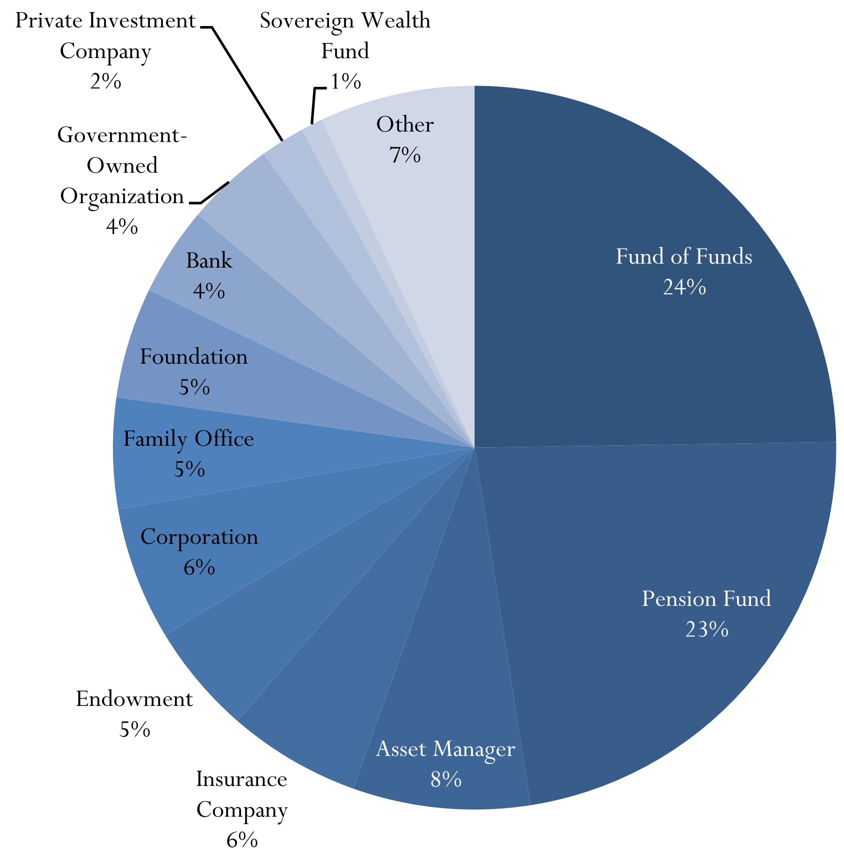
A large majority of these respondents were North American and European, with only 16% of investors from outside these regions. This is similar to the geographical allocation in our last survey.

Fund of funds make up the largest portion, followed by pension funds and asset managers.

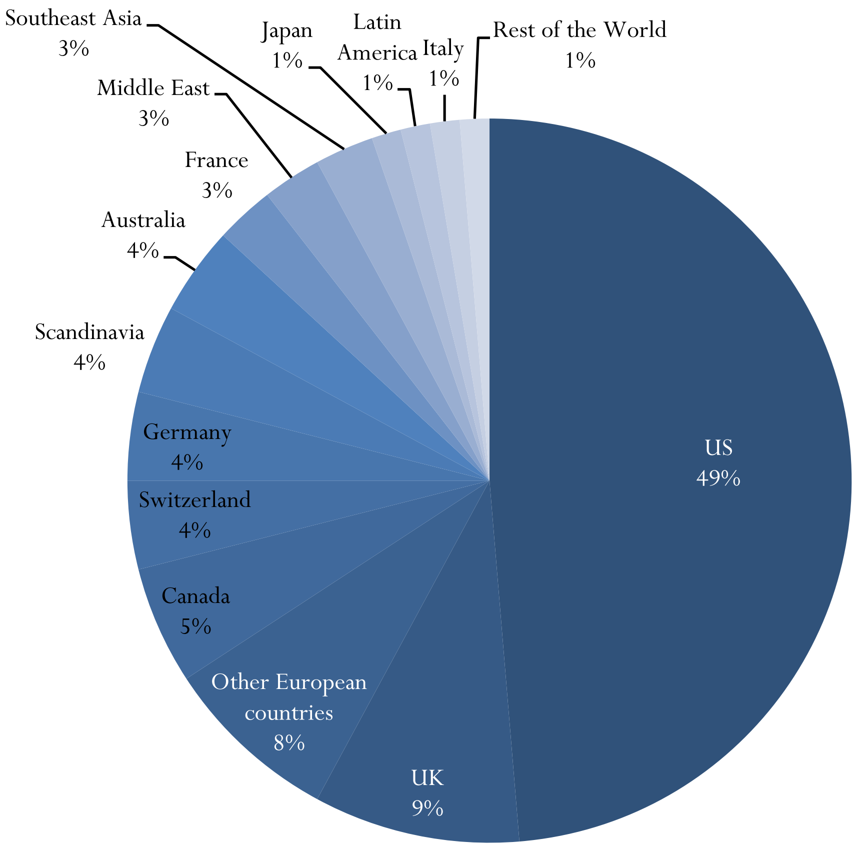
Investors by Country



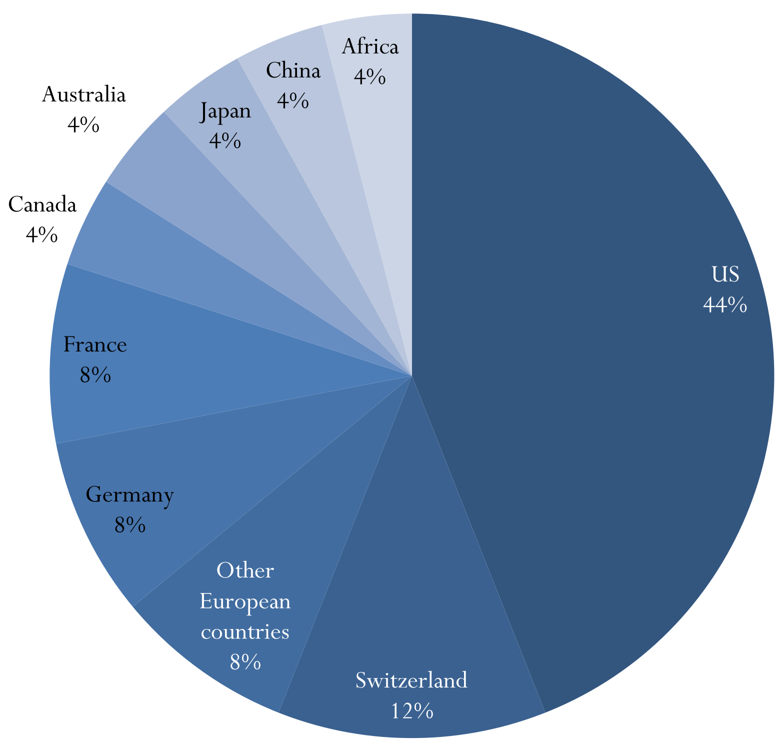
Investors by Type



Traditional Investors by Location



Non-Traditional Investors by Location



Traditional and Non-Traditional Investors

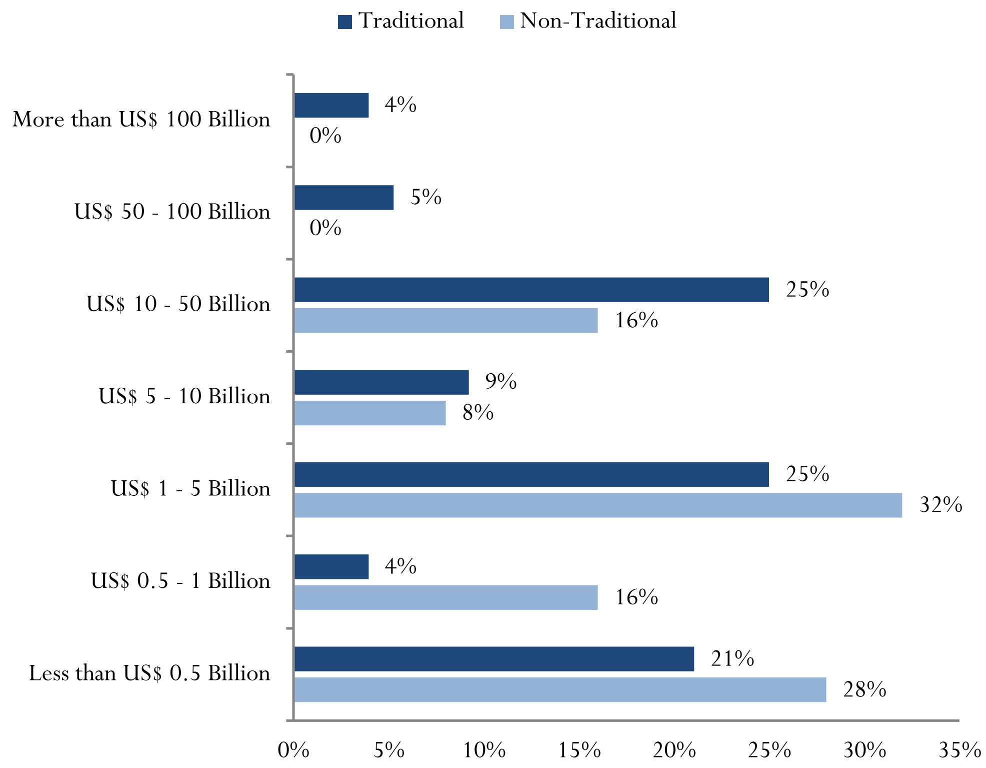
We continue to split investor responses into two categories: Traditional and Non-Traditional investors (the latter consists of those identified as secondary funds and/or fund of funds). We believe this distinction is important given the different objectives, constraints and investment styles of these groups.

The mix of respondents was more heavily weighted towards Traditional Investors in 2013 (at 75%), verse 56% in 2011, while Non-Traditional Investors made up 25% of respondents.

Assets Under Management

The 2013 survey includes data from institutions across the AUM spectrum providing a good perspective from both larger and smaller allocators.

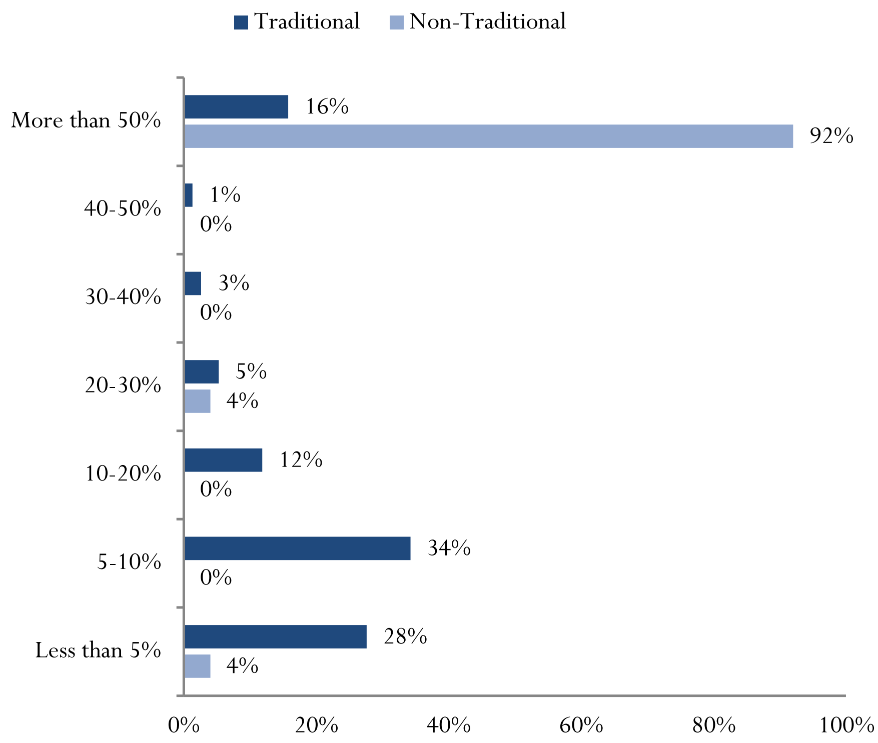
How much are your assets under management (AUM)?



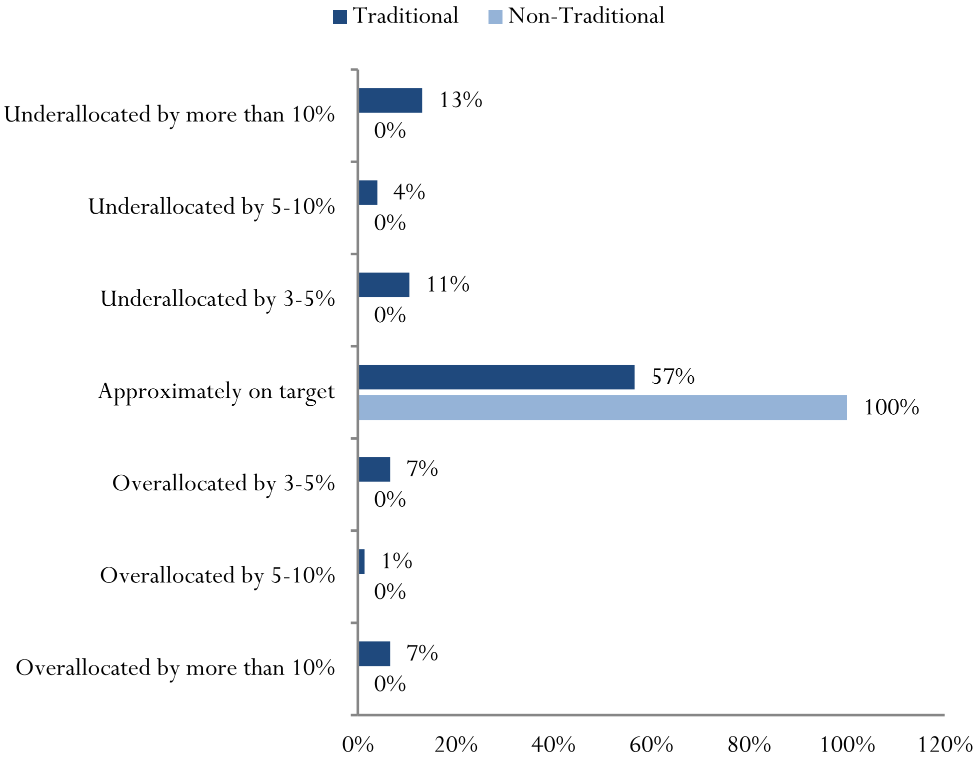
Private Equity Allocations

One quarter of the Traditional Investors allocate greater than 20% of their assets to private equity. There has been a noticeable decrease since our last survey in which one third of Traditional Investors had greater than 20% allocated to private equity. Also, 62% of Traditional Investors allocate 0-10% to private equity, versus only 44% in our previous survey.

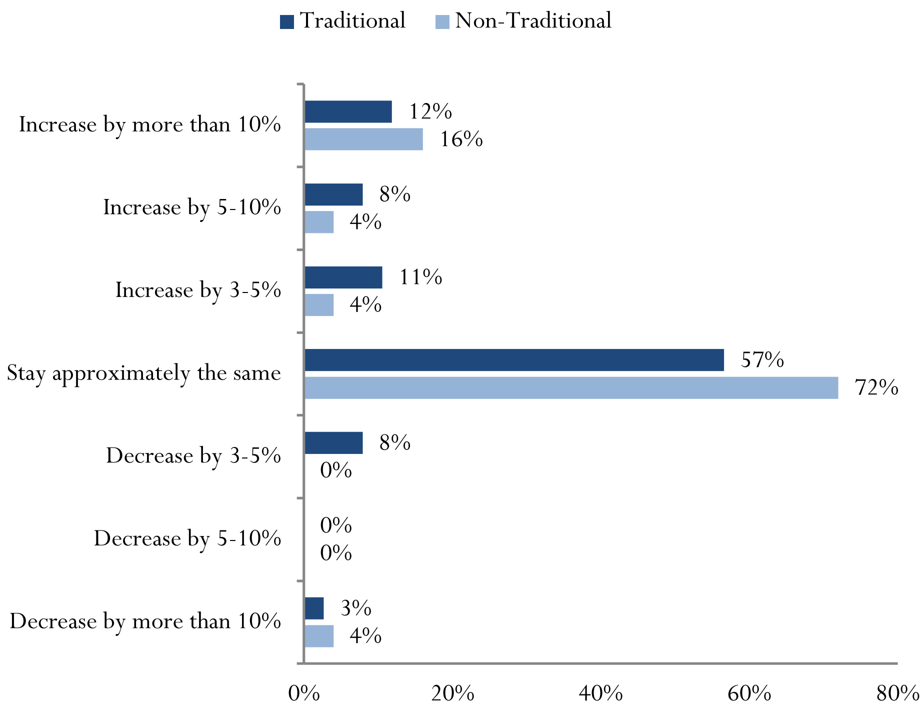
How much of the AUM is committed to private equity?



What is your actual allocation versus your target allocation for private equity?



Regarding private equity, compared with your allocation this year, do you expect your allocation in 2014 to:



Current and Expected Allocations

Overall we saw a drop in the percentage of Traditional Investors who are in-line with their private equity allocation target. There was a marked increase in Traditional Investors who were under-allocated to private equity from our last survey (increased by 10%), and a decrease in Traditional Investors who are over-allocated to the asset class (decreased by 9%).

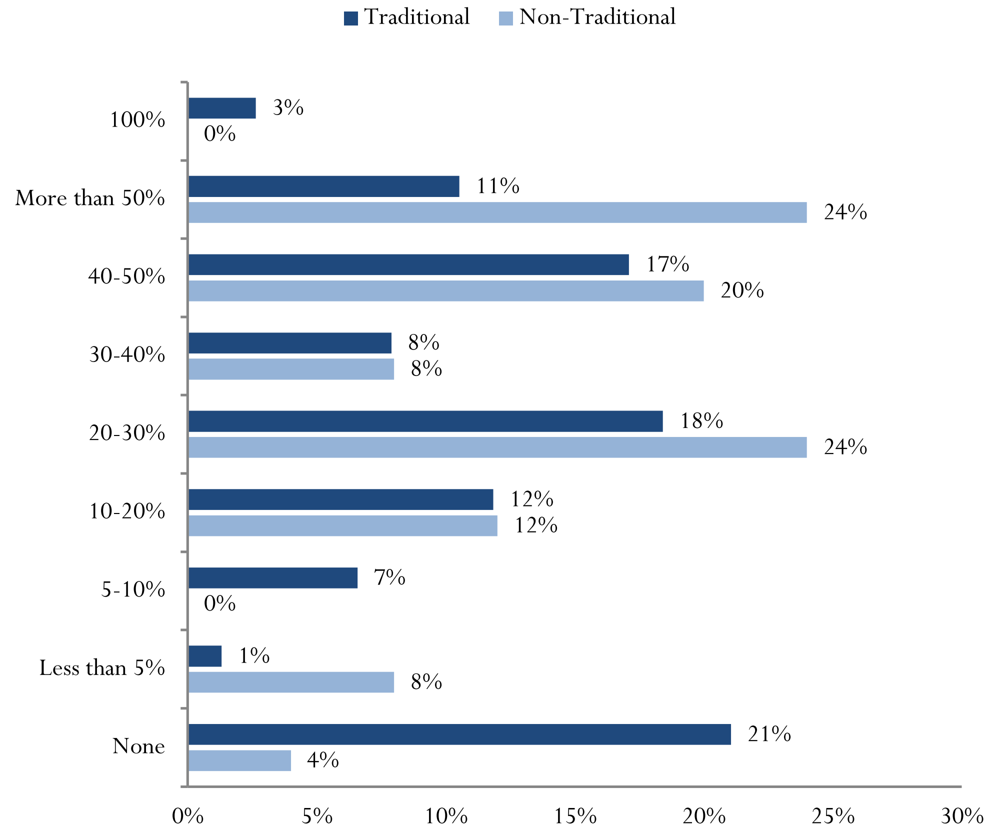
The indication that one third of Traditional Investors and a quarter of Non-Traditional Investors expect their private equity allocation to increase in 2014 strengthens our findings above. This is complimented by very few investors (3%) that expect their allocation to decrease by more than 5%.

Allocation to New GPs

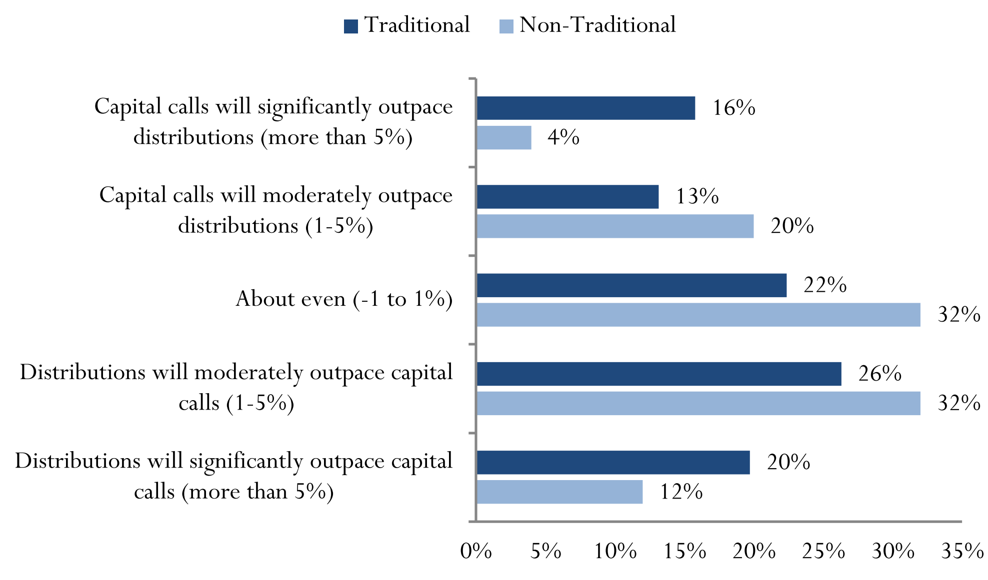
The 2013 survey results show a renewed optimism for new GP exposure. 77% of Traditional and 88% of Non-Traditional Investors expect some percent of their allocation to go to new GP relationships. More surprising, roughly one-third of Traditional and almost half on Non-Traditional investors expect to allocate greater than 40% to these GPs.

There has been a shift since our last survey where 51% of Traditional and 58% of Non-Traditional Investors expected capital calls to increase relative to distributions. Over the next twelve months, almost half of Traditional and Non-Traditional Investors see distributions outpacing capital calls.

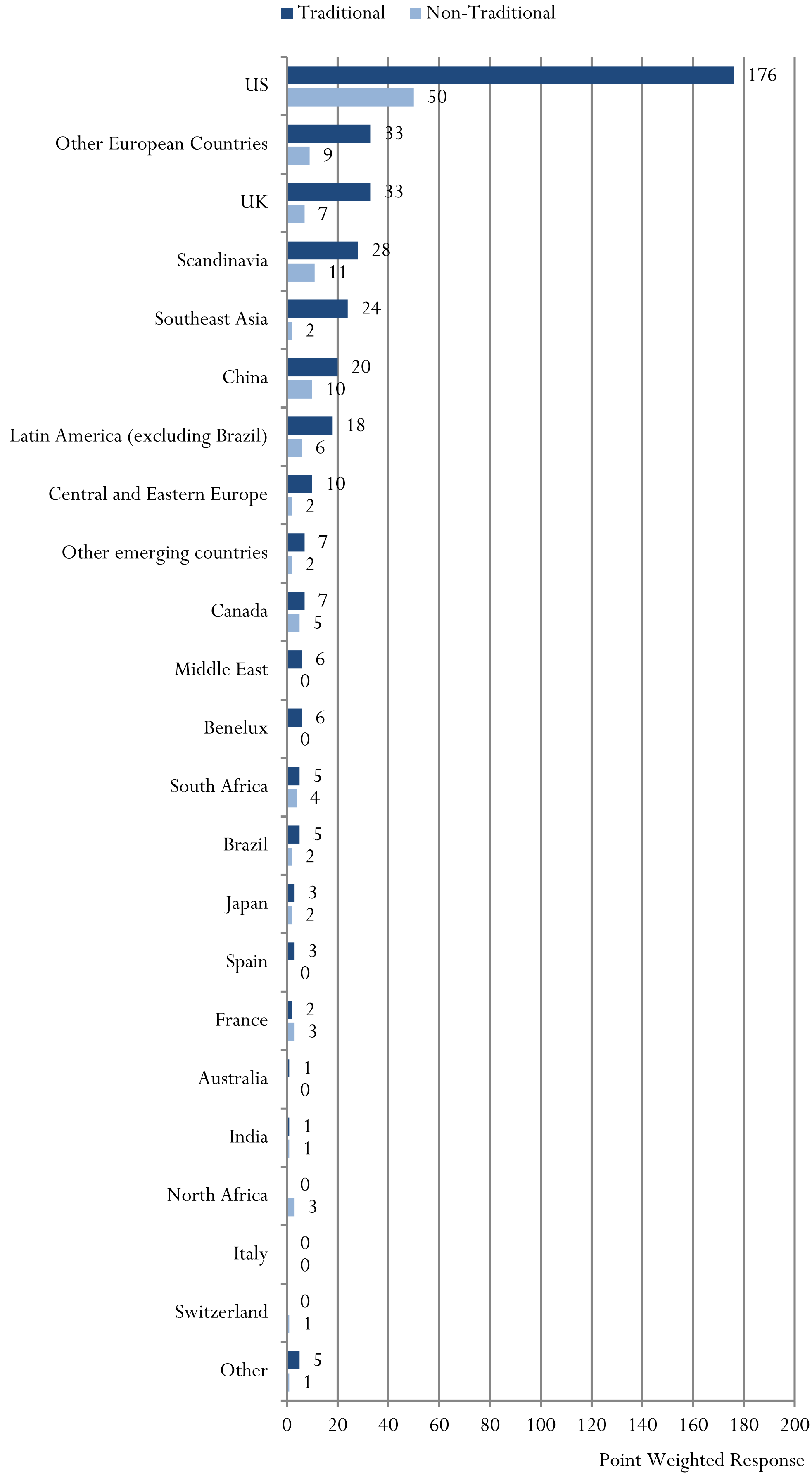
Of your private equity allocation in 2013, what percent do you expect to be new GPs?



In the next twelve months, how do you expect the relationship between capital calls and distributions to evolve with regard to your portfolio?



Which of the following geographies do you find most attractive for private equity allocation? (Rank top 3)



Regional Appeal

The US remains the most attractive region for Traditional and Non-Traditional Investors, congruent with our last survey. The geographies that gained the most investor attention were Other European Countries, the UK and Scandinavia.

Overall, China and Brazil had dramatic negative changes in sentiment from being the second and third most attractive geographies to sixth and fourteenth, respectively.

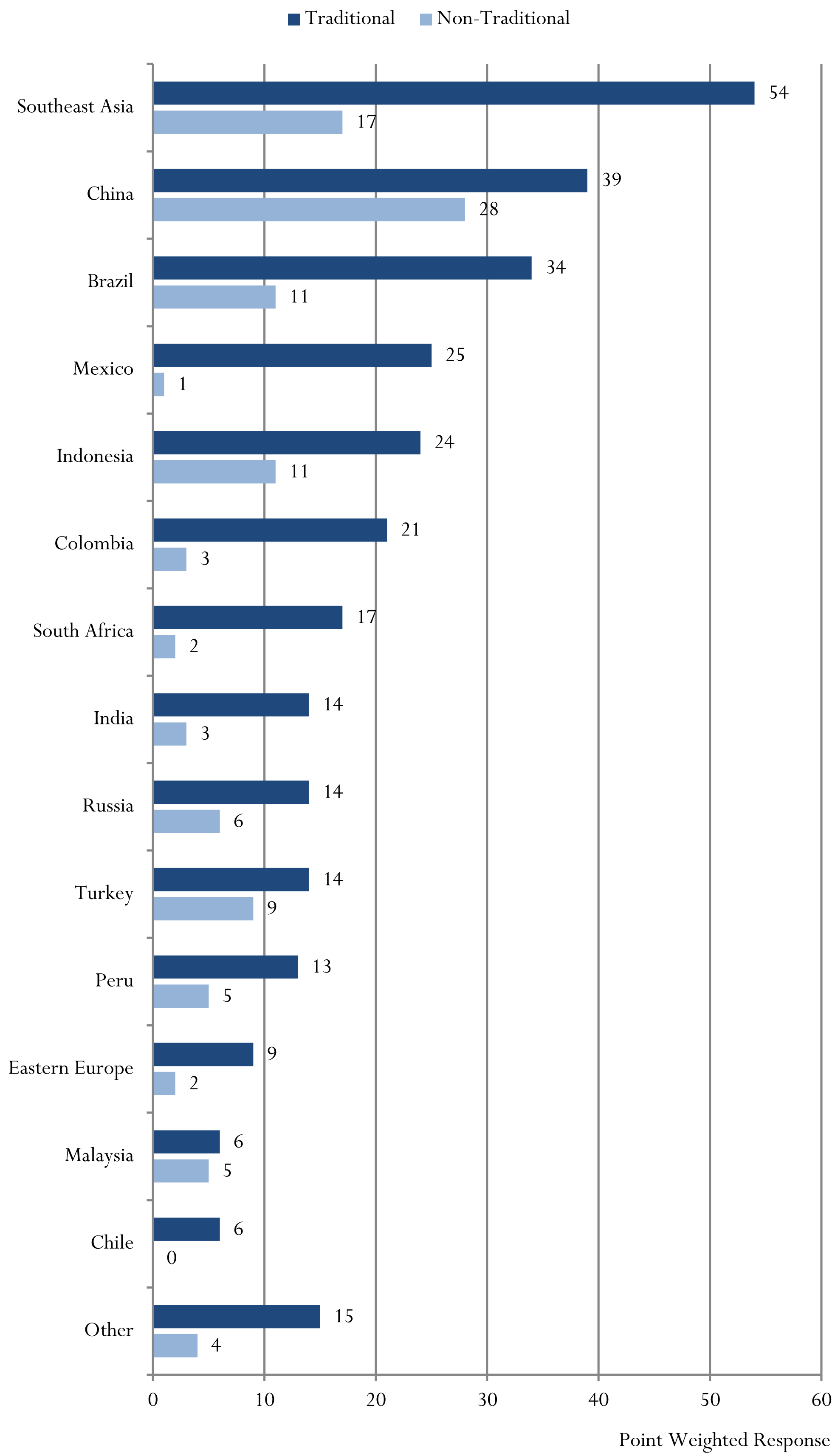
Emerging Markets

Creating the 2013 survey, we wanted to better understand LPs interest to emerging markets, and specifically the countries of highest priority. We found that Southeast Asia, China and Brazil ranked the most attractive among our participants.

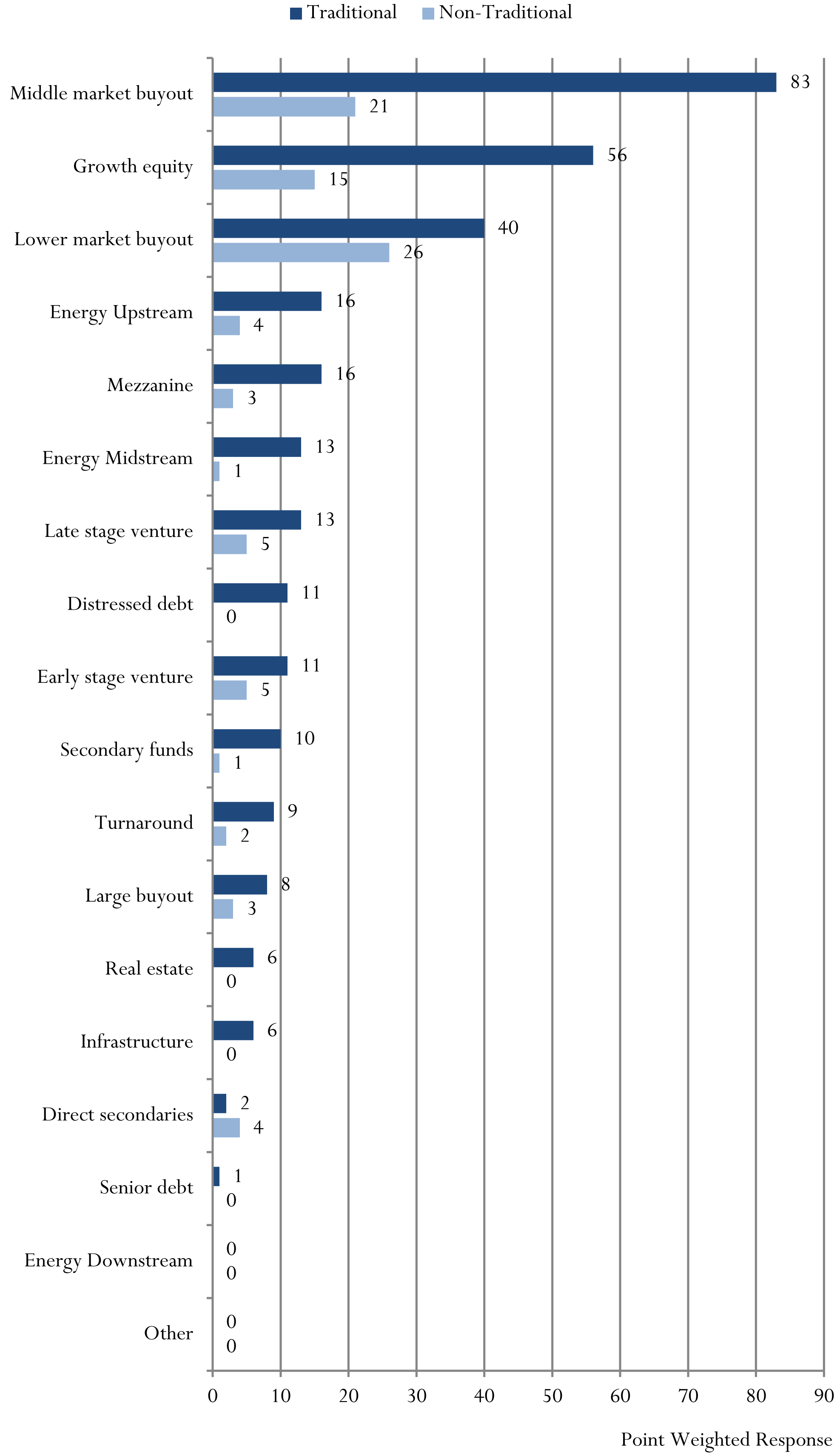
The Latin American markets of Mexico and Colombia are receiving attention due to their strong economic growth and expanding middle classes.

South Africa is a recent area of interest with a less mature private equity presence. It may be attractive for monitoring future developments.

Which do you think is the most attractive emerging market? (Rank top 3)



Regarding North America, which private equity strategy do you find most attractive? (Select top 3)



North American Private Equity

Regarding North American private equity, our findings continue to affirm lower/middle market buyout and growth equity as the most desired strategies for global LPs.

Energy has been a recent point of attention with the US energy boom and a drive to be self-sustainable. This is more noticeable for Traditional versus Non-Traditional Investors.

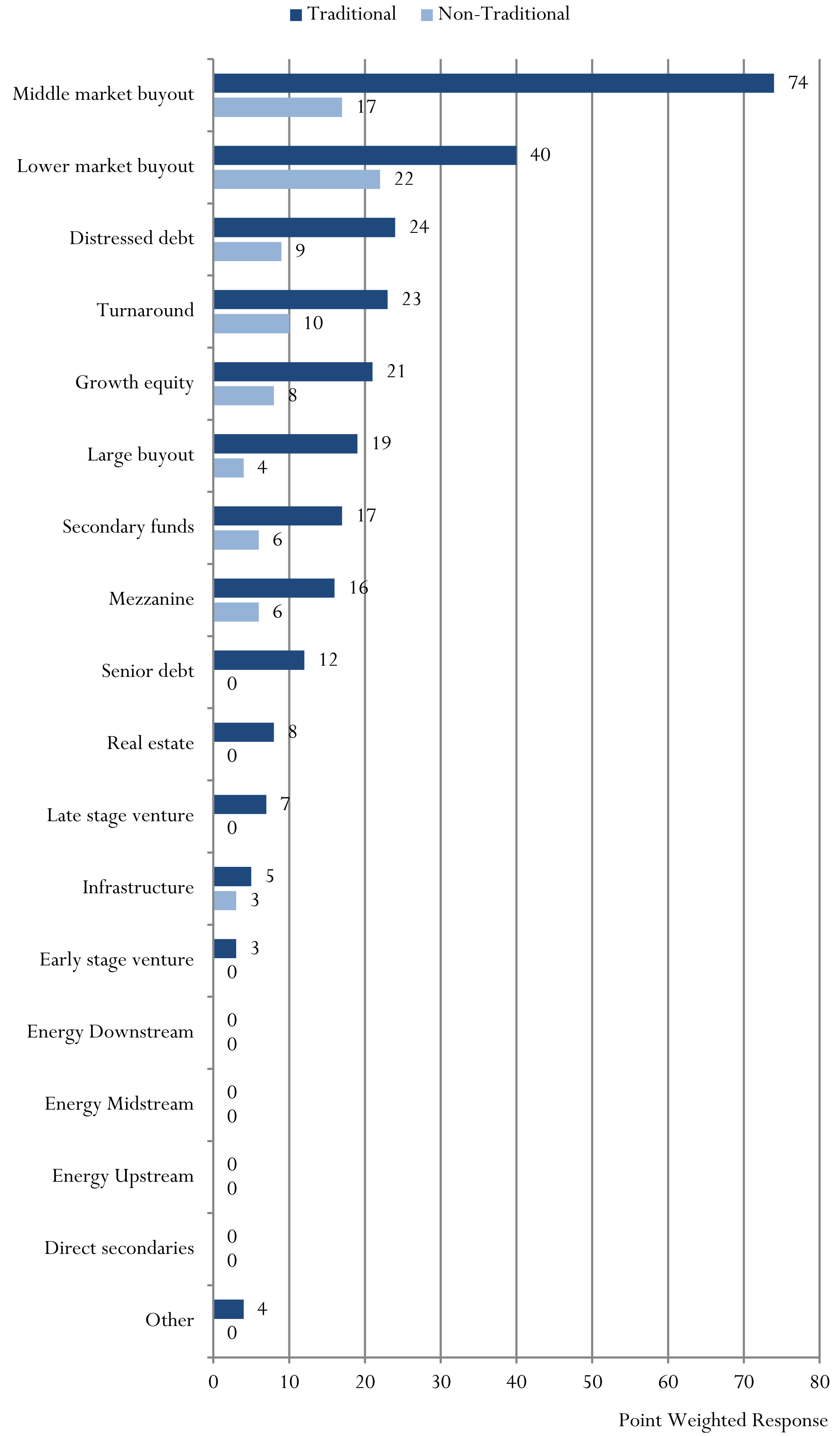
Early and late stage venture continues to be attractive, while there has been a shift of investors who prefer late stage to early stage.

European Private Equity

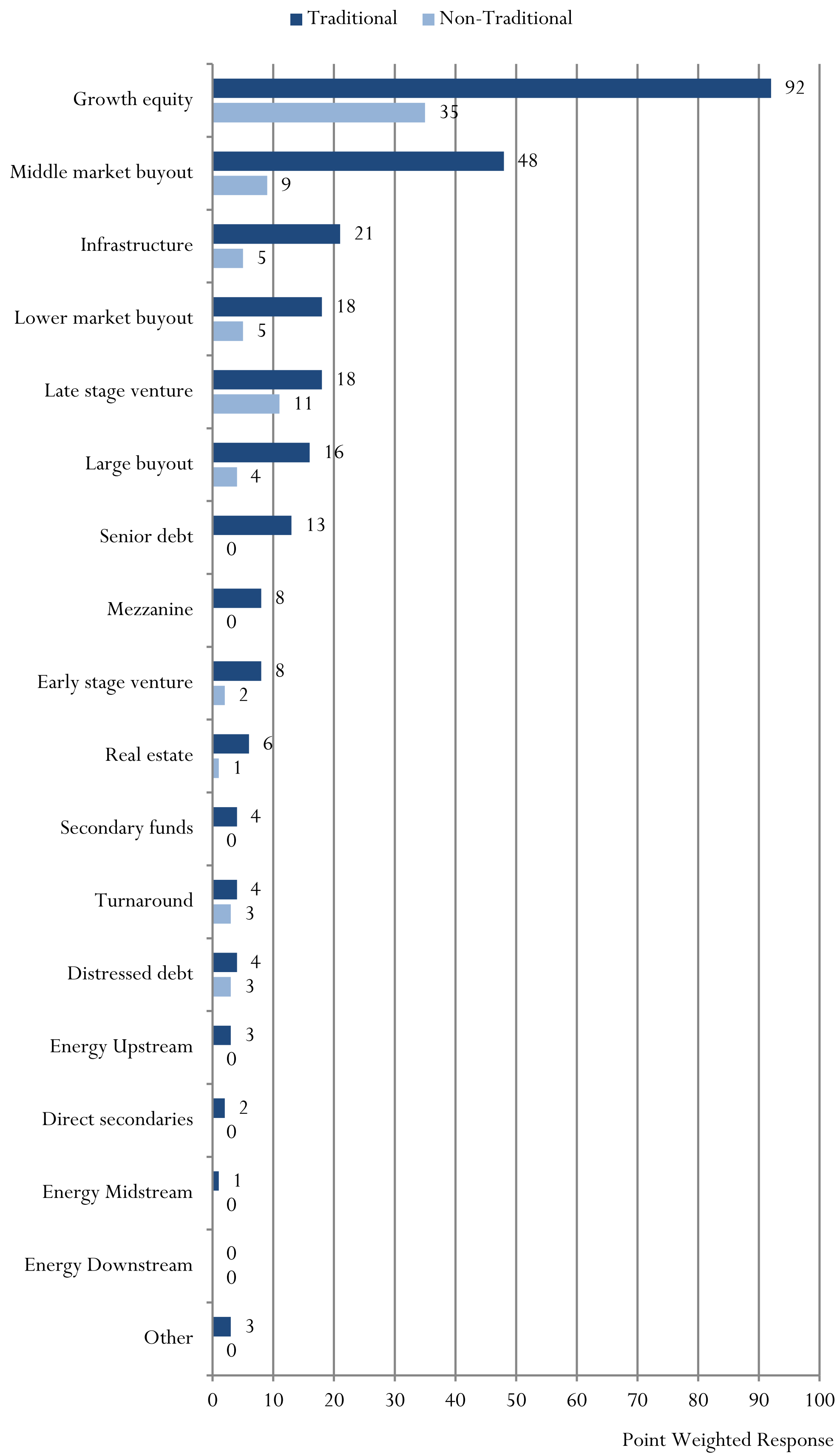
European lower/middle market buyout continues to be the most attractive strategy for global LPs.

Notably, there has been a marked increase of investors seeking distressed debt opportunities in Europe moving from the fifth to third most attractive strategy since our last survey.

Regarding Europe, which private equity strategy do you find most attractive? (Rank top 3)



Regarding Asia, which private equity strategy do you find most attractive? (Rank top 3)



Asian Private Equity

Growth equity continues to be the most popular investment category in Asia, outpacing middle market buyout by almost double.

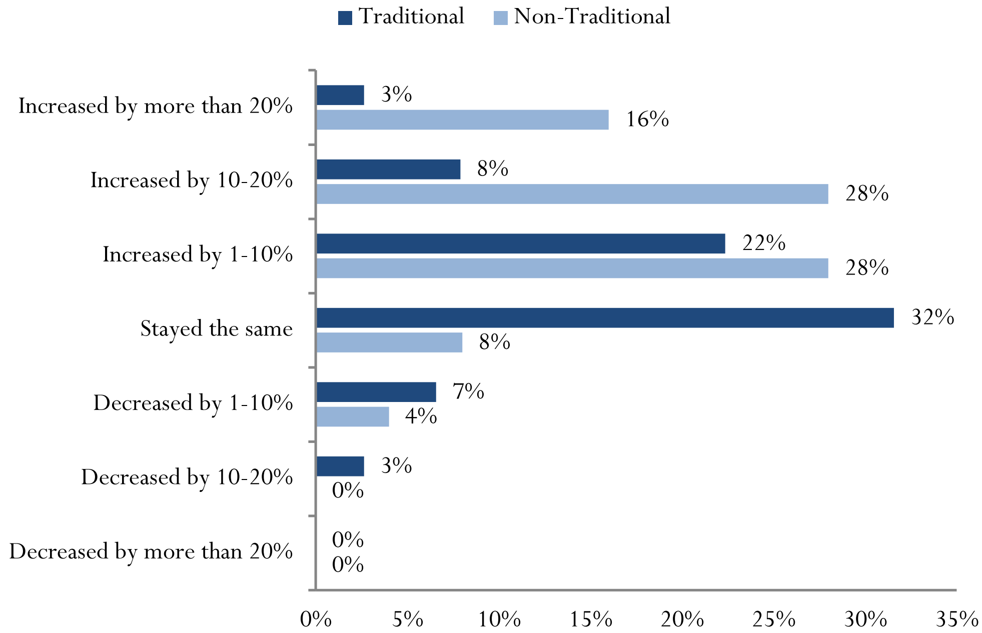
We saw a marked increase in attractiveness of Asian Infrastructure strategies from fifth to third rank. This is a compelling focus for growth markets like Asia and is viewed as an economic necessity to sustain development.

Secondary funds took a negative turn since our last survey dropping from the seventh to eleventh most attractive Asian strategy.

Private Equity Relationships and Values

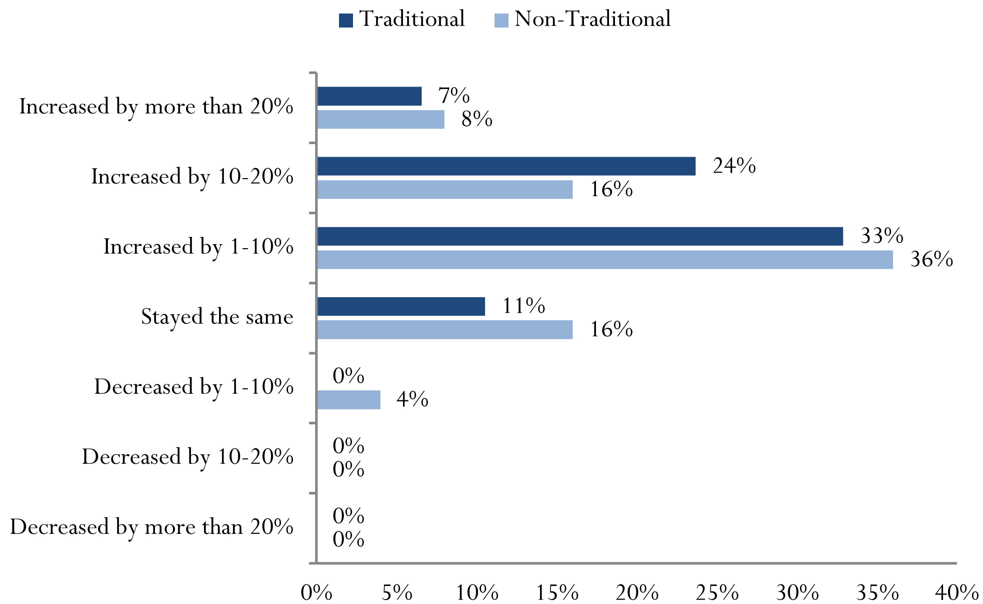
It is important to note that over the past year 33% of Traditional and 72% of Non-Traditional Investors increased their number of private equity relationships. This compares to 51% and 63% respectively from our last survey. Traditional Investors are now consolidating the large number of relationships to focus on their core managers.

How has the number of private equity relationships you manage changed relative to this time last year?

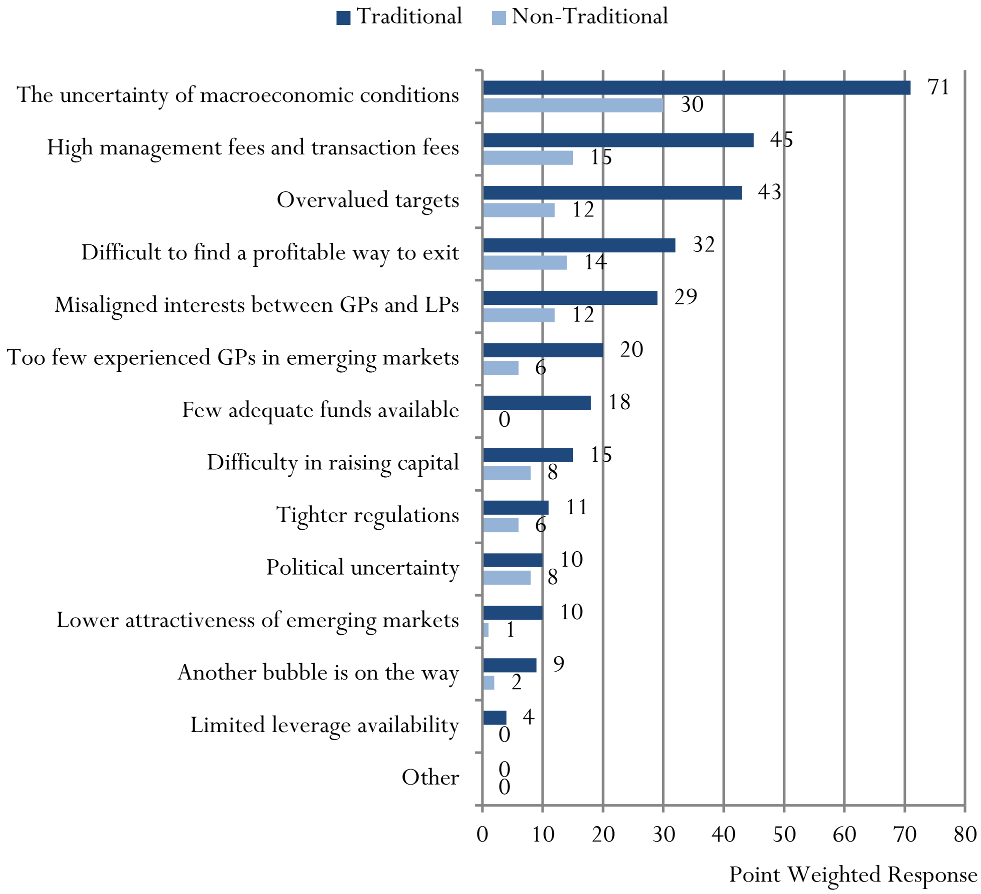


Bullish public equity markets in 2013 coupled with strong transaction and exit activity have provided the majority of Traditional and Non-Traditional Investors with positive performance for the year. It is interesting to note that almost a third of Traditional and a quarter of Non-Traditional Investors saw NAV increases of greater than 10% YTD.

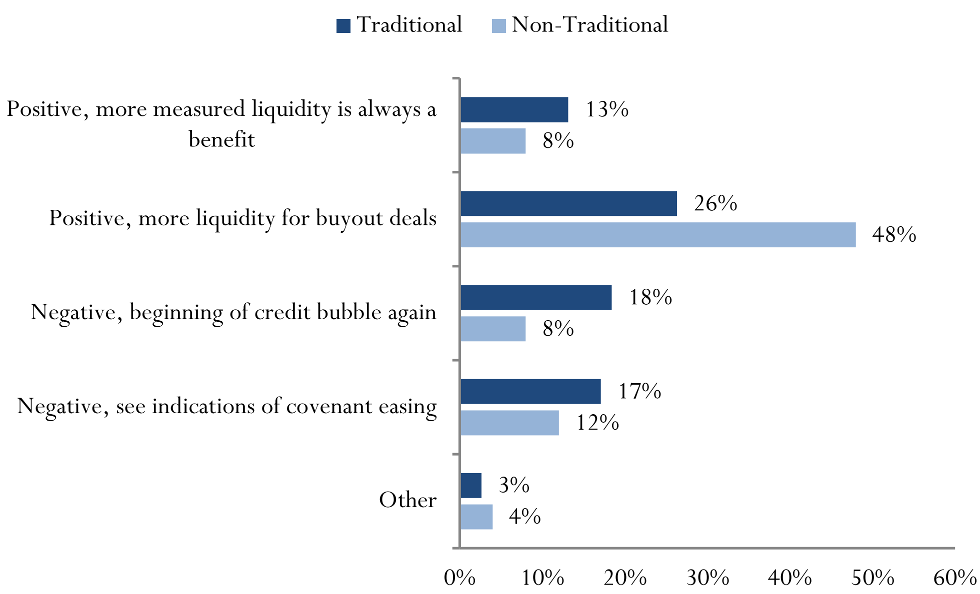
How has the value of your private equity assets changed in 2013?



From your perspective, what are the major challenges facing investing in private equity? (Rank top 3)



What impact do you think the CLO market's resurgence in 2013 will have on PE? (Tick all that apply)



Challenges Facing Private Equity

We wanted to get LPs perspective on the major challenges facing private equity today. Global macroeconomic conditions were given the highest rank, with fees and overvalued targets equally significant. LPs have been focused on fee negotiations in particular with a strong demand for reductions across manager types, sizes and credibility.

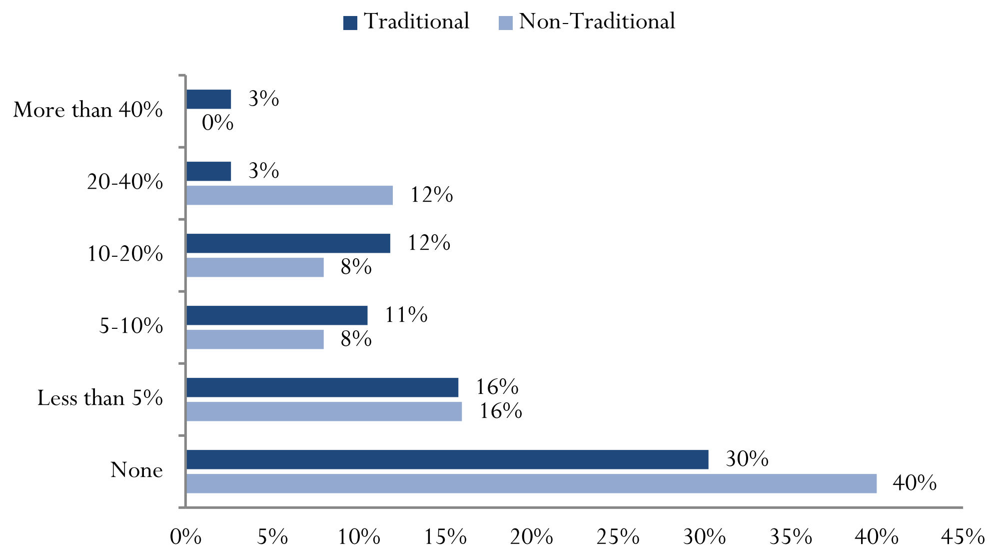
One thing to note is that the majority of Non-Traditional Investors saw the resurgence in the CLO market as a positive for private equity, while Traditional Investors were split evenly between positive or negative.

Secondary Allocations

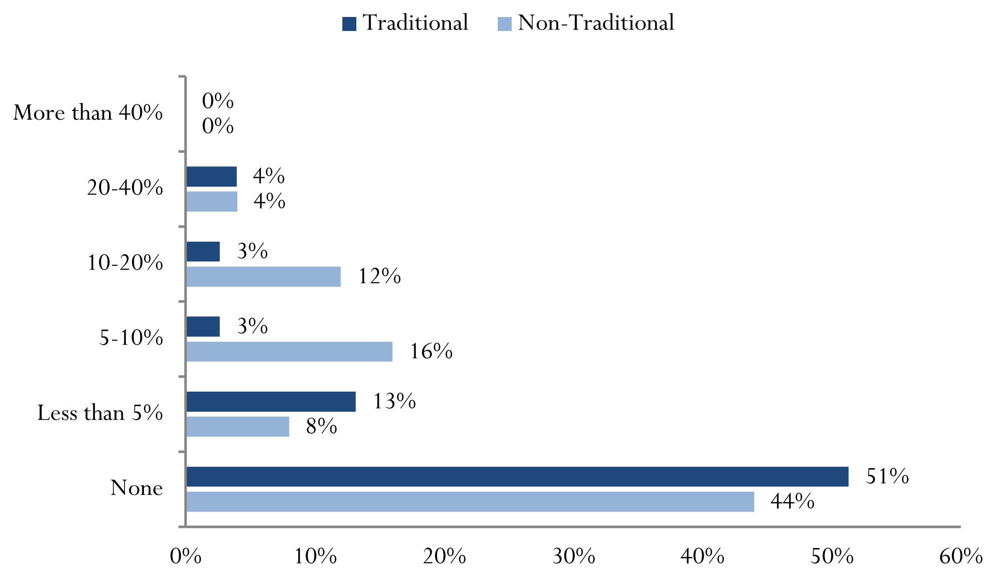
It is interesting to note that even with record level fundraising in Secondary Funds, 30% of the Traditional and 40% of Non-Traditional Investors surveyed have 0% allocated to the strategy. Another quarter of investors surveyed have less than 10% of their private equity allocation earmarked to secondary funds.

Many Traditional and Non-Traditional Investors have earmarked less for secondaries than we have seen in prior surveys. Traditional Investors that have less than 5% earmarked surged to 64%, compared to 39% previously. Non-Traditional investors jumped to 52% from 28%.

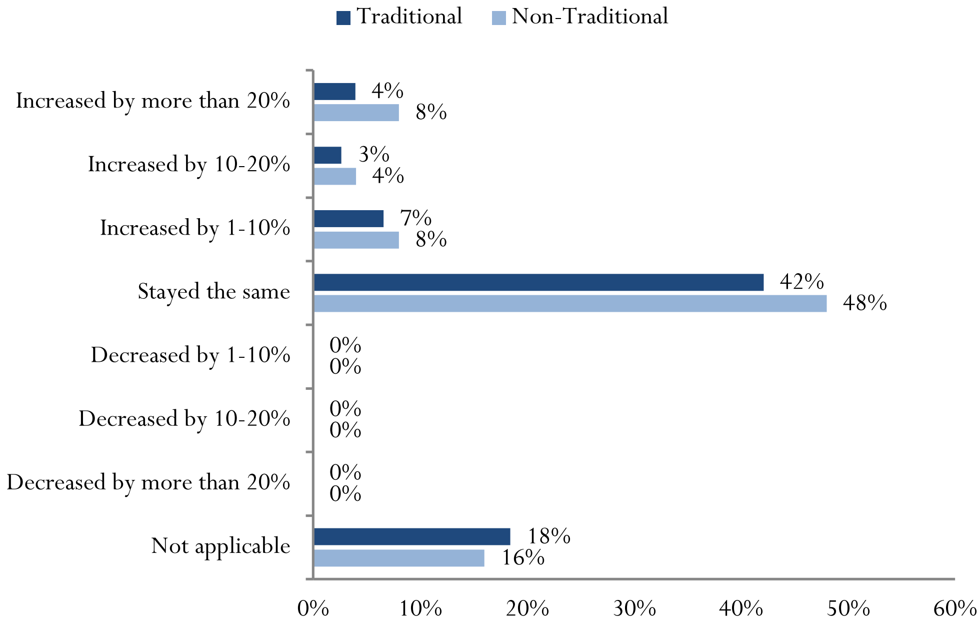
What percentage of your private equity allocation is earmarked to secondary funds?



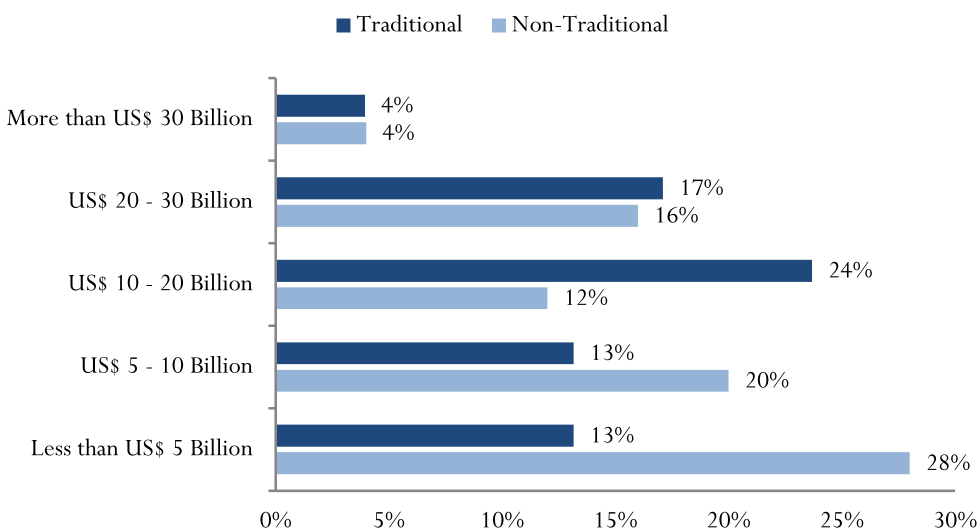
What percentage of your private equity allocation is earmarked to secondary directs?



How did your allocation to secondaries change in 2013 relative to 2012?



What is your estimation of total secondary deal volume for 2012?



Allocation to Secondaries

A smaller percentage of Traditional and Non-Traditional Investors increased their secondaries allocation over the past year. This may be precautionary due to the amount of capital raised by secondary funds over the moderate term.

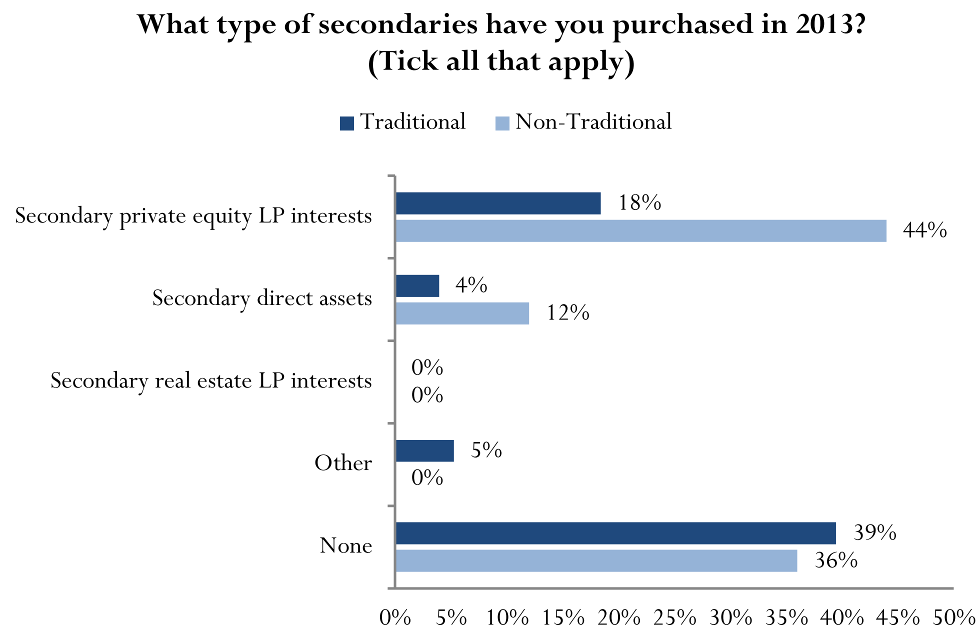
Secondary Deal Volume

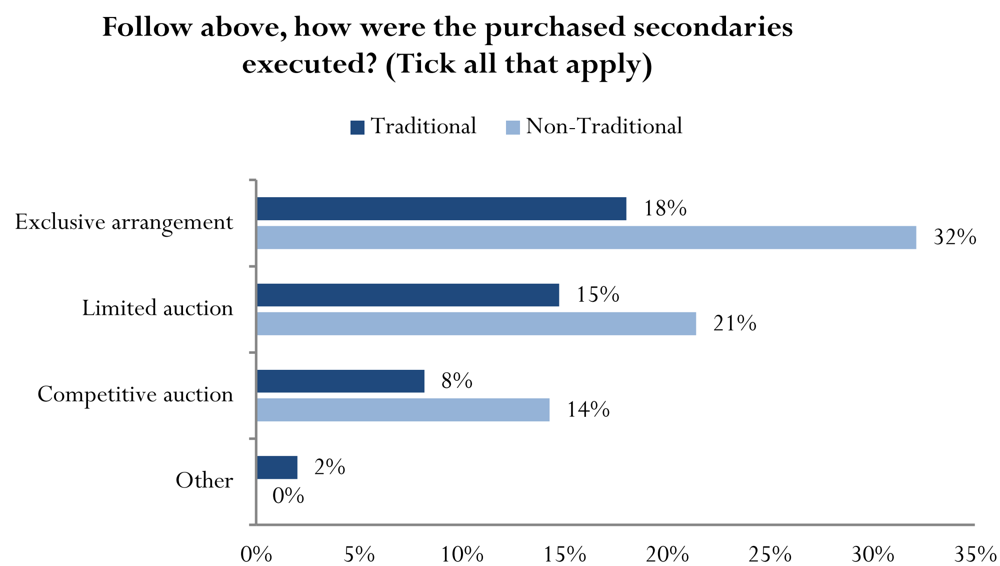
Even though market participants generally have a tight range of estimated deal volume it's interesting to see the wide distribution from our participants.

Purchased Secondaries

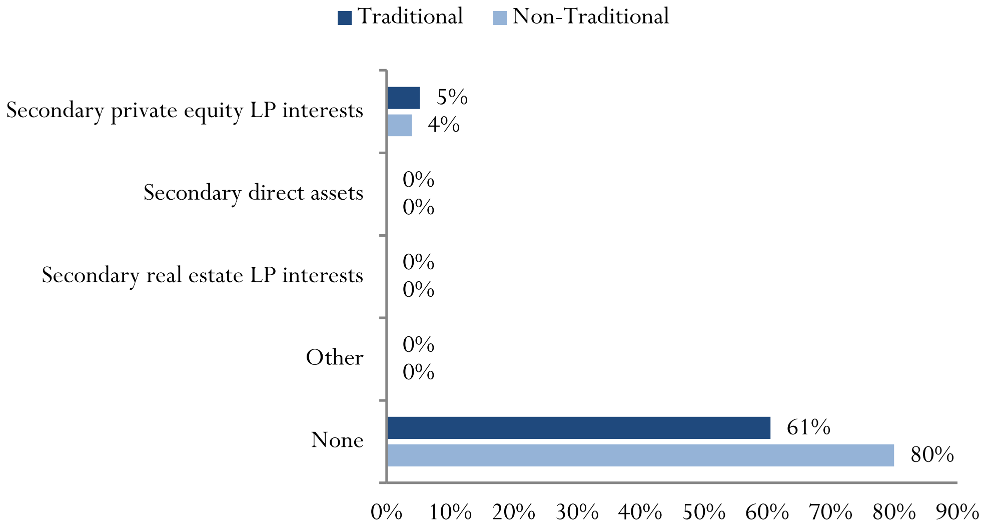
Our 2013 LP survey indicates that there was a decrease across both Traditional and Non-Traditional Investors in terms of purchasing secondary LP interests, direct assets and real estate interests. Our previous survey had more activity in all three categories, although there has been a recent preference for secondary direct assets versus LP interests.

The execution of secondary purchases were allocated similarly for Traditional and Non-Traditional Investors with the majority of transactions taking place through exclusive arrangements, followed by limited and competitive auctions. There is a much higher percentage of Non-Traditional Investors that purchased stakes in 2013.

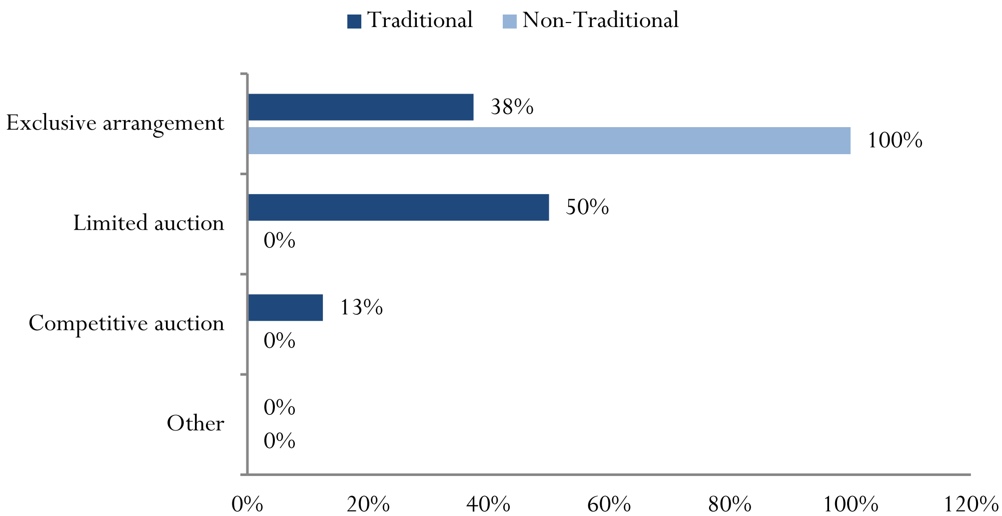




What type of assets have you sold on the secondary market in 2013? (Tick all that apply)



Follow above, how were the sold secondaries executed? (Tick all that apply)



Secondaries on the sell-side

Only 5% of participating investors sold secondary LP interests in 2013. This was a significant decrease from our last survey in which one fifth of Traditional and Non-Traditional Investors sold LP interests and each sold roughly 5% in real estate as well as direct assets.

Again, the execution results were allocated similarly across Traditional and Non-Traditional Investors, with only a few data points. Exclusive arrangement continued to be the most active, with limited and competitive auction closely behind.

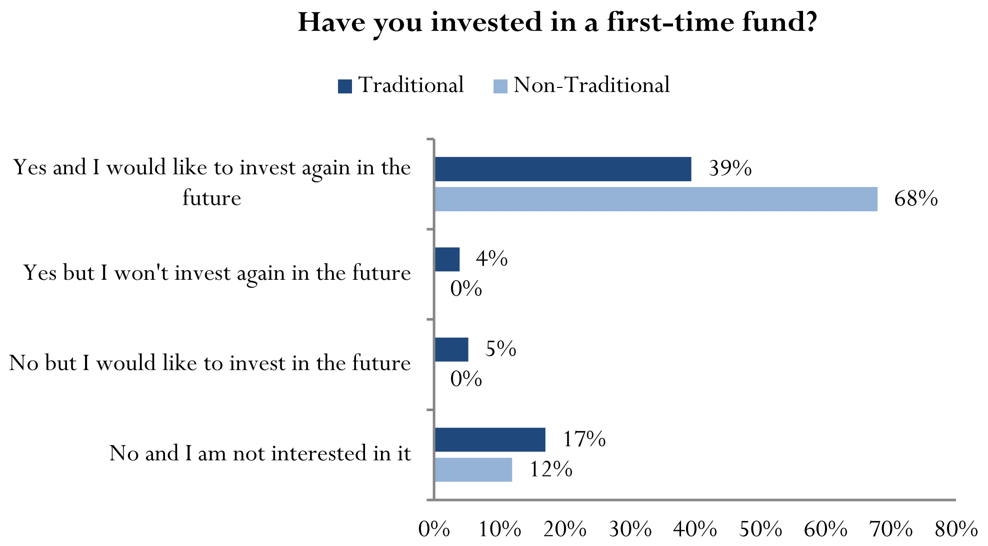
First-time Fund

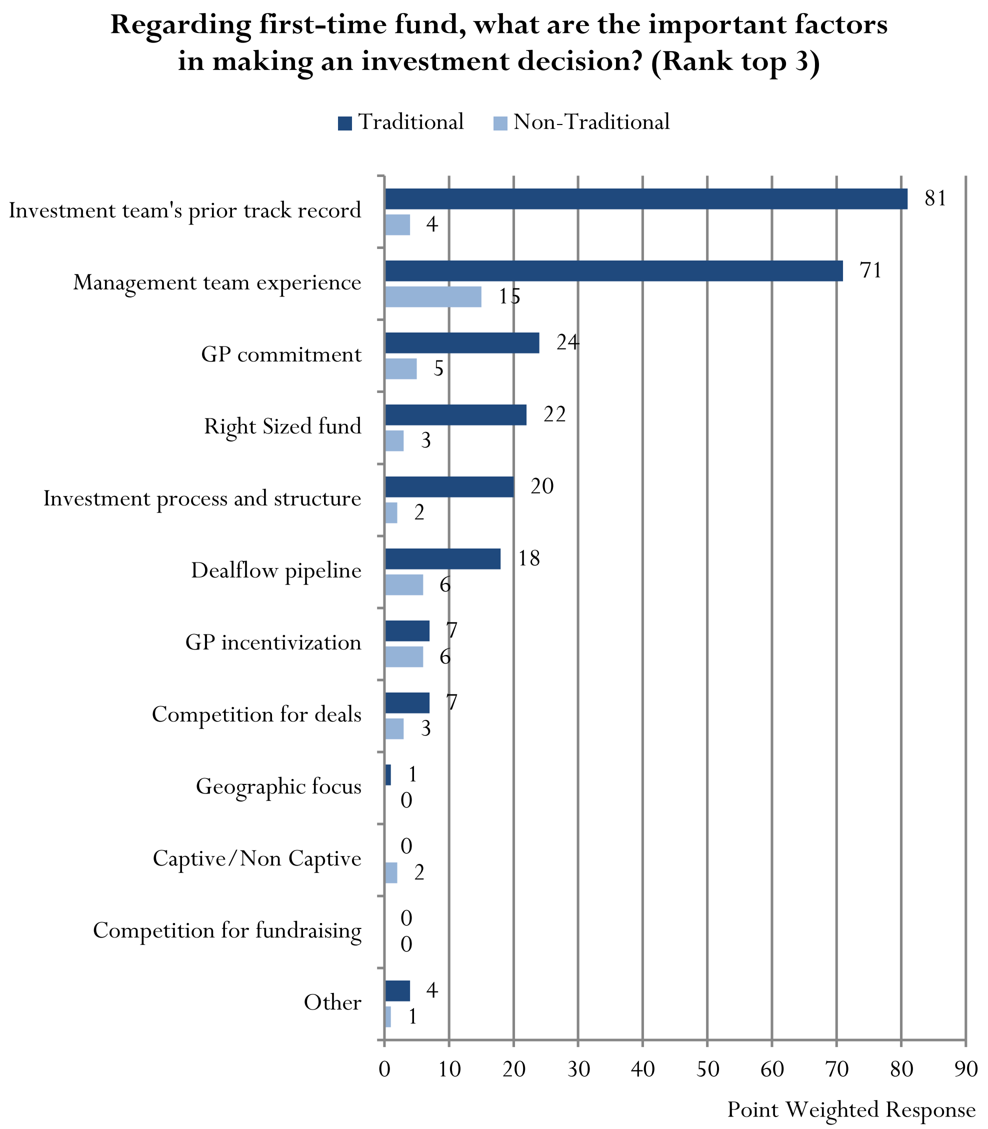
This year's survey results show the continued positive sentiment for first-time funds for both Traditional and Non-Traditional Investors. Only 21% of Traditional and 12% of Non-Traditional Investors would not be interested in this type of fund in the future, compared to 50% and 28% from the previous survey. Part of this may be the product of large institutional pension and endowment programs adopting emerging and minority manager programs.

Due Diligence

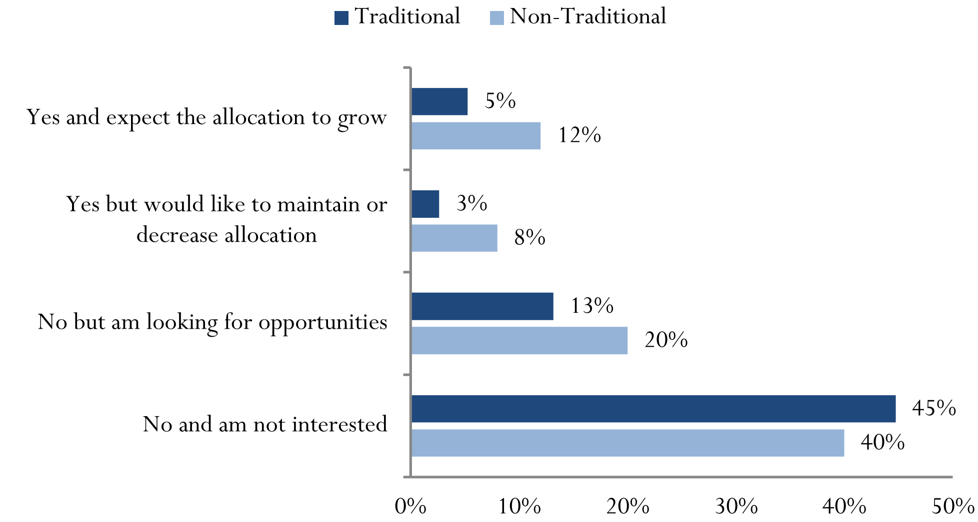
It is important to note that the most vital factors when performing due diligence on first time funds are overwhelmingly the investment team's prior track record and experience. Key questions include: Are the senior members still in-tact, was the transition part of a larger spin-out?

GP commitment came in as the third most important factor, with LPs requiring GP alignment and "skin in the game".

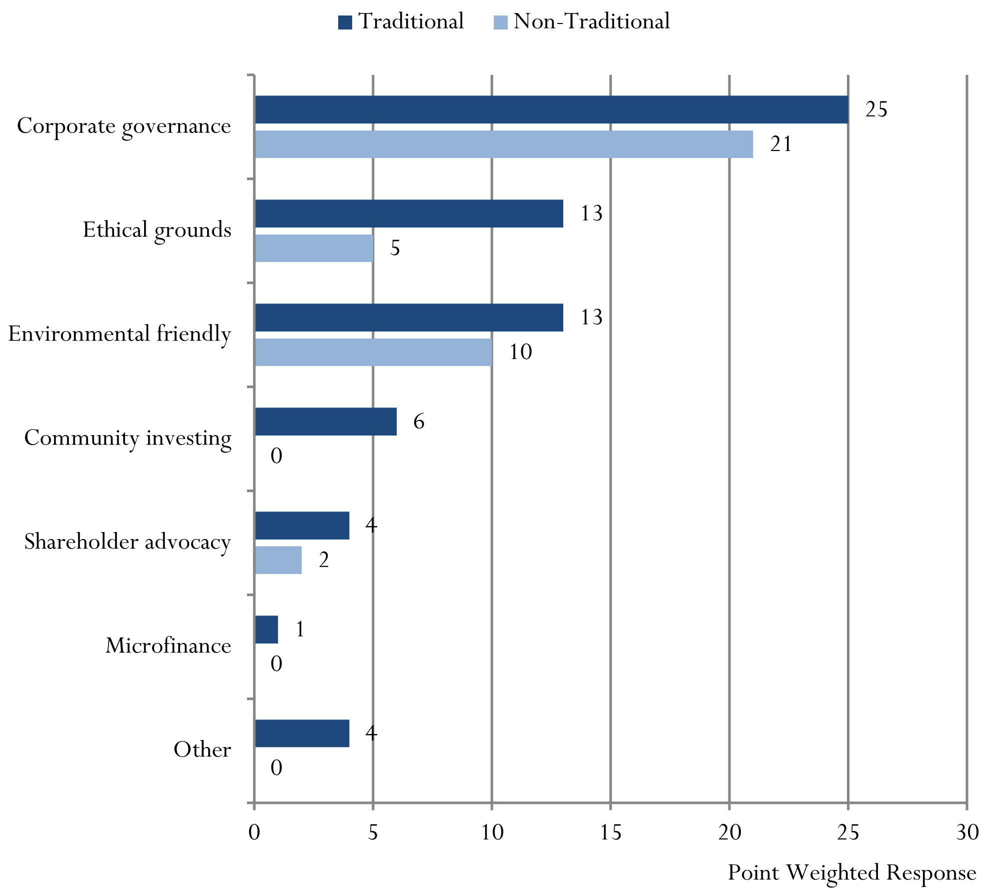




Do you currently allocate to Socially Responsible Investing (SRI) strategies?



What strategies within SRI are most attractive to you? (Rank top 2)



Socially Responsible Investing Strategies

Based on our interactions with LPs and GPs we noticed an expanding focus towards SRI strategies. Data from this year suggests a large portion of institutional LPs have not yet invested in the space, but we have been seeing increased interest. Some large institutions have set aside dedicated buckets of capital to allocate to these investments.

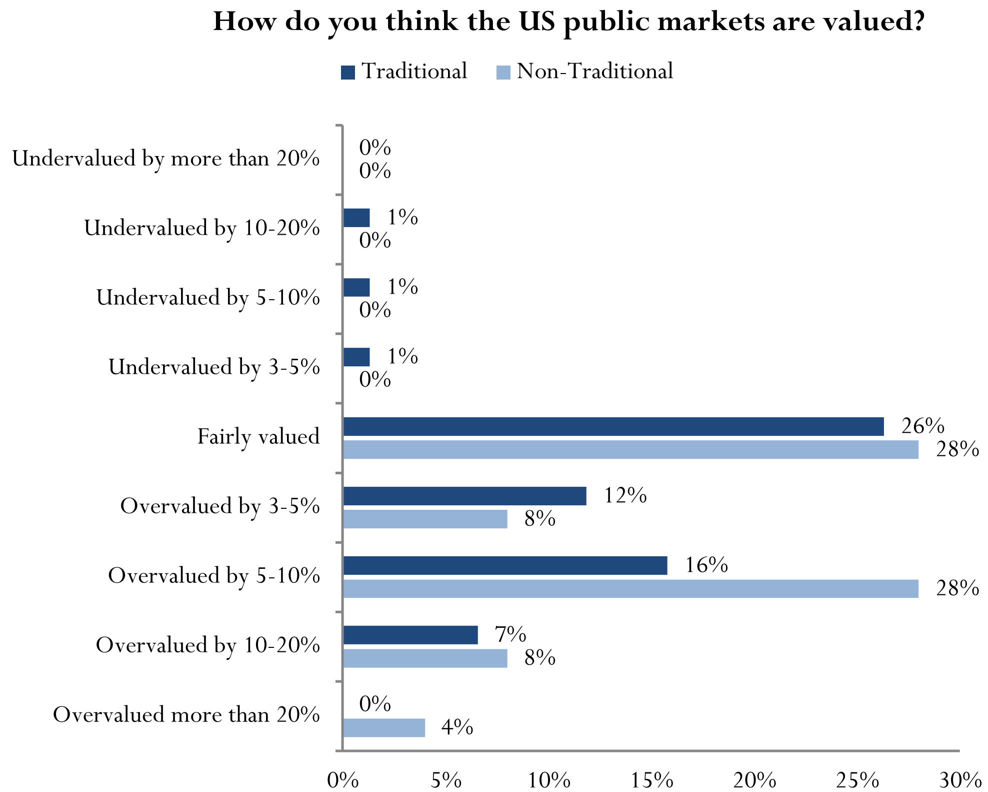
We saw that Traditional and Non-Traditional investors both favored corporate governance strategies within SRI. These include companies that abide to overall social, environmental, economic and governance criteria for investment.

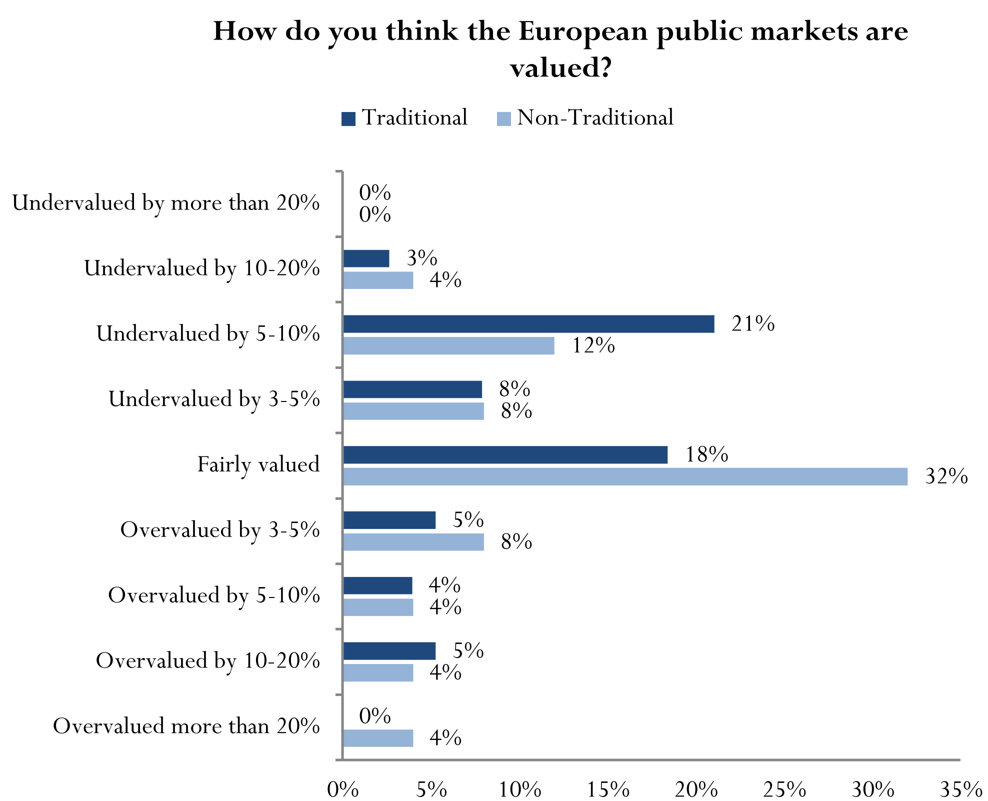
Ethical grounds and environmental friendly strategies have a more specific focus rather than the broad mandate of corporate governance.

US and European Public Markets

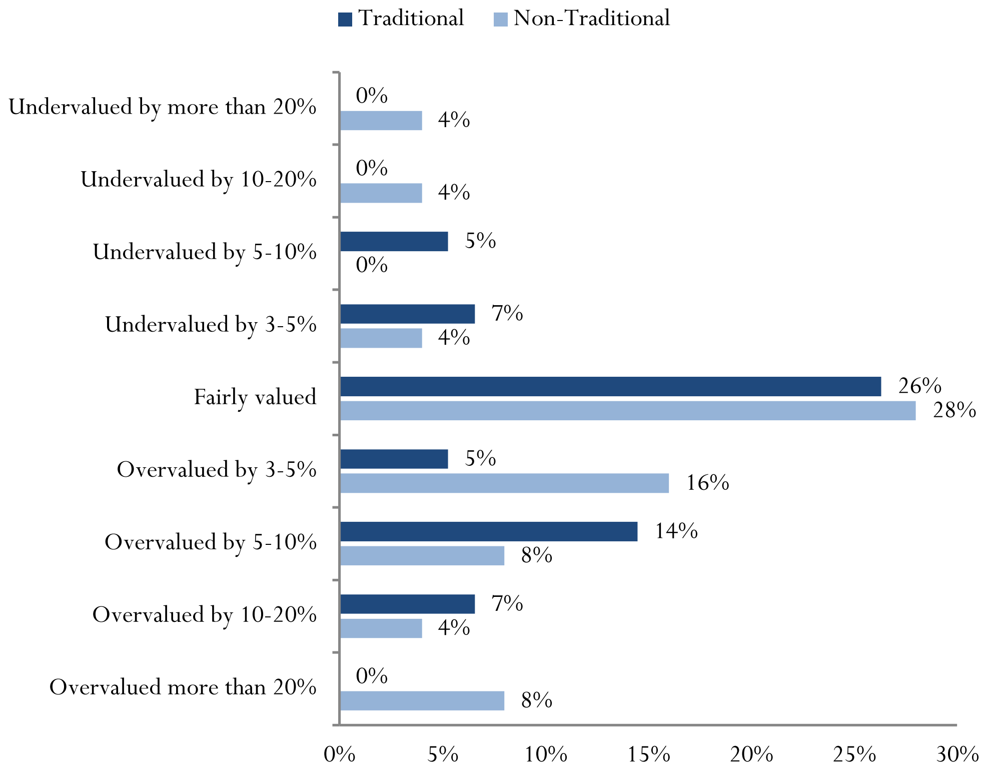
There was a strong consensus overall from survey participants that the US public equity markets are currently between fairly valued and overvalued. It is interesting to note that those who found it fairly valued were equally distributed between Traditional and Non-Traditional Investors. Furthermore, only 7% of Traditional and 12% of Non-Traditional investors believe it to be overvalued by greater than 10%, even as US public markets are up roughly 16% YTD and the US federal debt limit looms.

Shifting to public markets in Europe, global LPs are more divided. About a third of Traditional and a quarter of Non-Traditional Investors believe public equities to be undervalued. On the other hand, 14% of Traditional and 20% of Non-Traditional Investors believe markets to be overvalued.

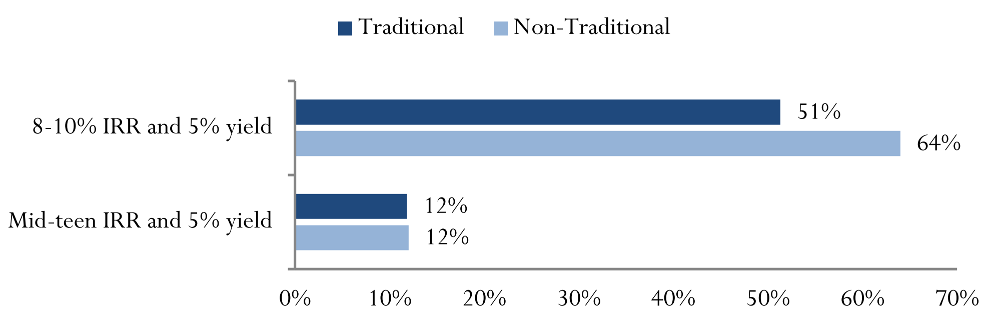




How do you think the Asian public markets are valued?



There is a divergence of return expectations that core infrastructure will provide. Some managers are projecting mid-teen IRRs and yields of 5% or so, while more conservative managers are targeting 8-10% IRRs with a similar yield. Which return profile do



Asian Public Markets

Asian public equities are perceived to be more overvalued than Europe, but less than North America. 26% of Traditional Investors and 32% of Non-Traditional Investors believe Asian equities are overpriced with one fifth of each believing it is by more than 5%. Surprisingly 8% of Non-Traditional Investors believe Asian equities are undervalued by greater than 10%.

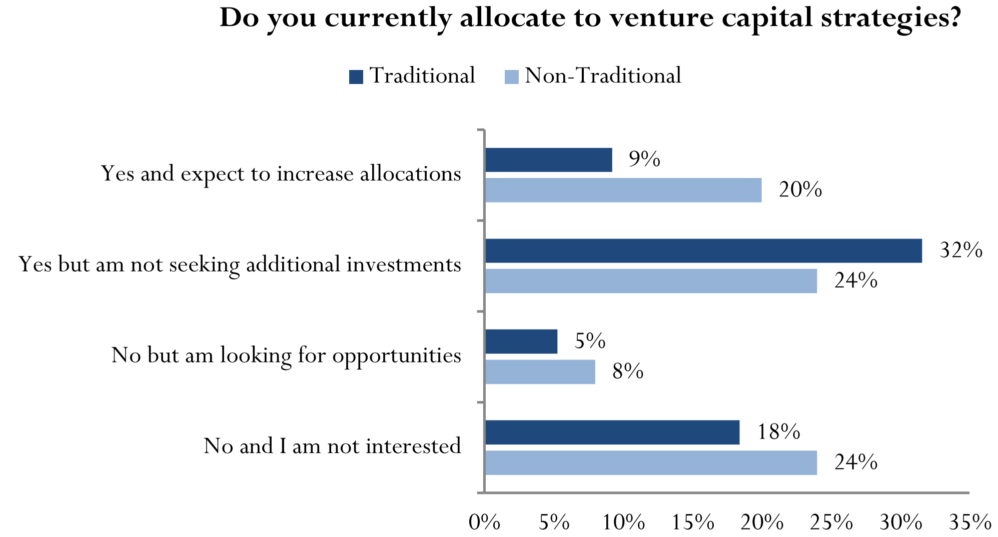
Core Infrastructure

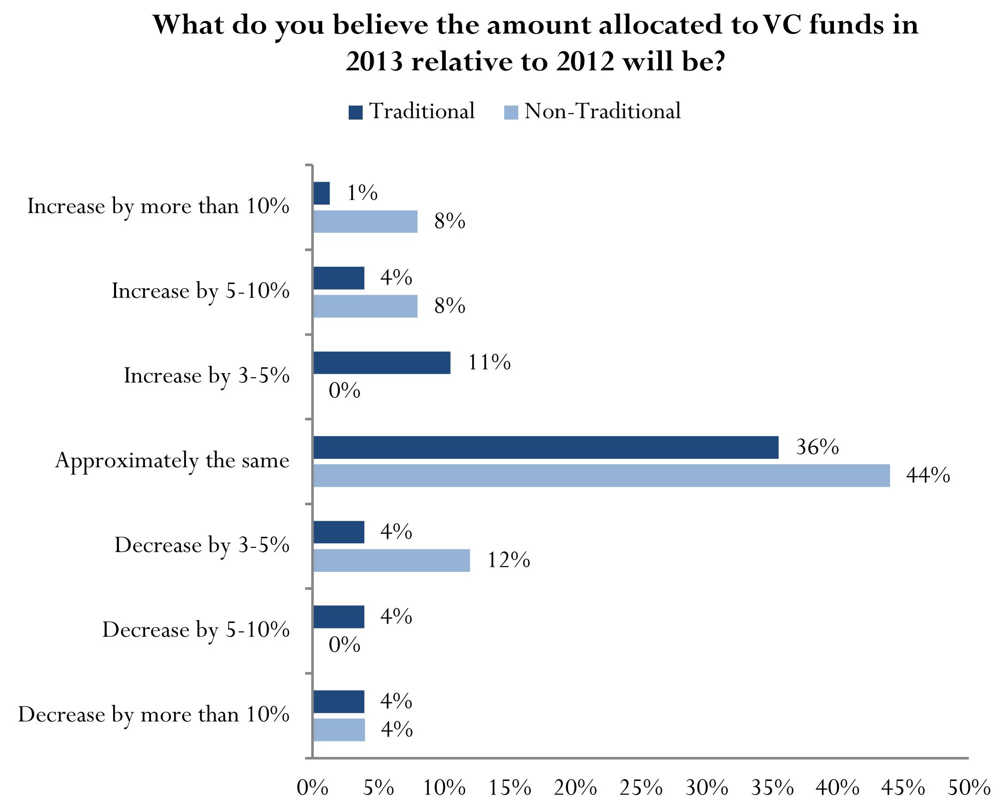
The majority of Traditional and Non-Traditional Investors believe core infrastructure investments will result in the lower IRR target with roughly 5% yields. The benefit of these characteristics of core infrastructure is the reduction in volatility of a portfolio and the ability to produce a steady yield over time.

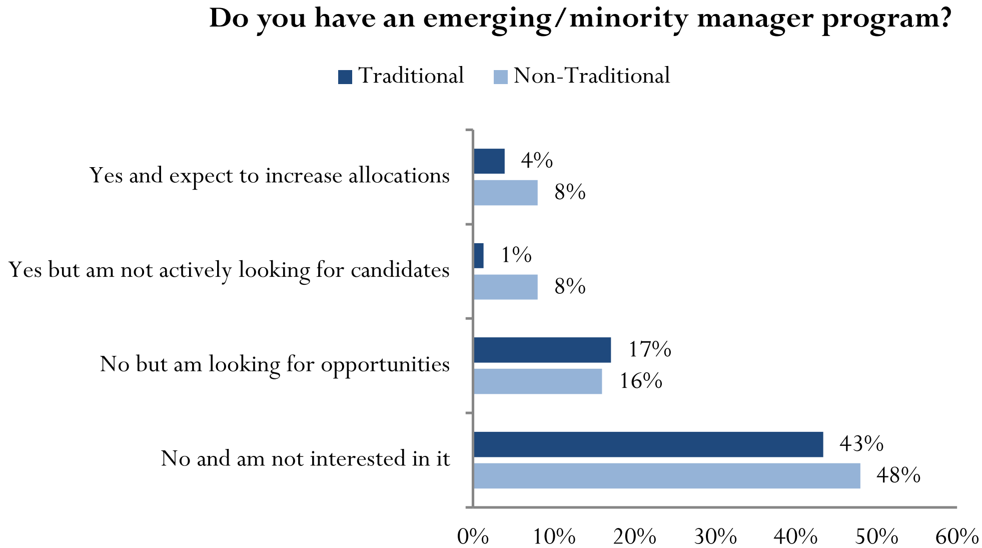
Allocations to Venture Capital

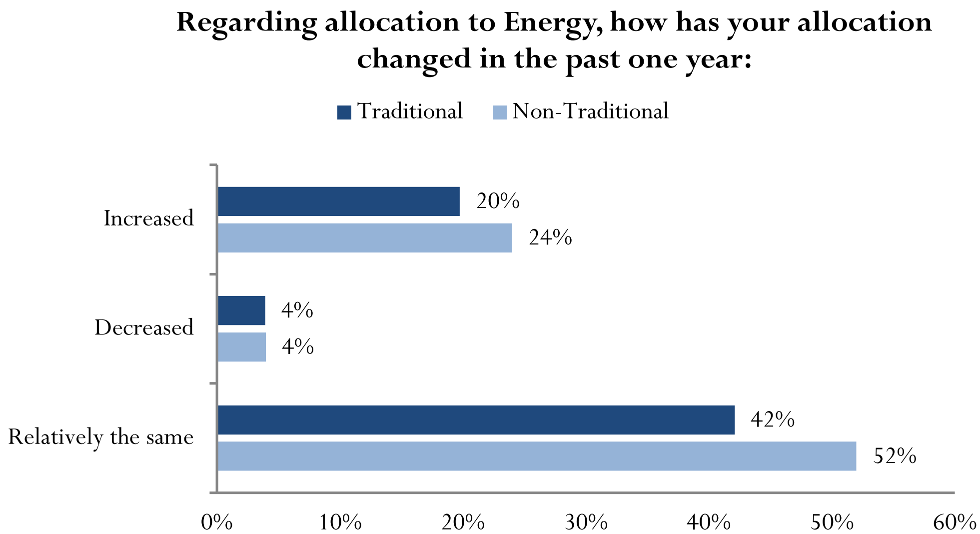
As venture capital GPs and their returns have come under fire, we wanted to get a poll of participating LPs currently investing in the space. We found that 14% of Traditional and 28% of Non-Traditional Investors are currently seeking VC investments. Roughly 50% of each group is not actively looking for investments in this space.

Overall, investors were mixed in their expectations for venture capital allocations in 2013. The largest percentage of both Traditional and Non-Traditional Investors expect the allocation to remain approximately the same.









Emerging / Minority Program

As previously mentioned we have seen an increased adoption of emerging and minority GP programs within some of the larger institutional investors. A surprising one fifth of Traditional and one quarter of Non-Traditional Investors are currently looking for opportunities. This seems to be a growing area of interest in the broad institutional investor landscape.

Allocation to Energy

We believe that the US energy boom is having effects on the investment climate for energy on a global basis. A number of Traditional and Non-Traditional LPs have more exposure to the space over the past year and are expecting those allocations to remain the same or increase in the future.

Bright Harbor Advisors

Bright Harbor is a management-owned company with offices in New York, Denver and Los Angeles, providing research-driven private markets advisory to GPs and LPs worldwide through its team of dedicated professionals.

Fundraising

Bright Harbor has a competitive focus on fund sizes between $100 million and $1.5 billion. Our LP relationships encompass all institutional investor types including foundations, endowments, public and private pensions, family offices and HNW individuals.

Secondary Advisory

Bright Harbor acts as a fiduciary advisor, helping execute transactions of direct assets and limited partnership interests with a tailored process dependent upon seller objectives and constraints.

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