

- SOF II,⁵ the second secondary fund that was formed in 2011 and held a final close in 2012 with a US\$614 million pool of commitments.
- SOF III,⁶ the third secondary fund that held a single close in late 2014 with a US\$1,654 billion pool of commitments.

On August 1, 2017 all investment professionals and key operations professionals of the SOF Team spun-out and formed Glendower Capital to continue the secondary investment strategy developed at Deutsche Asset Management. As part of the spin-out, certain arrangements are in place between, *inter alia*, Deutsche Asset Management and Glendower Capital in order to provide operational continuity to the SOF Funds throughout their remaining term. Pursuant to these arrangements Glendower Capital will continue to provide investment advice and the Managing Partners will provide investment management services to Deutsche Asset Management with respect to the SOF Funds and assist Deutsche Asset Management with the day-to-day management and realization of the portfolio investments. Deutsche Asset Management will have no future role with Glendower Capital, other than in relation to the SOF Funds.

As further disclosed in Appendix 5 (Important Performance Information) any track record or other financial information in respect of the SOF Funds relates to the SOF Funds raised prior to the spin-out of Glendower Capital from Deutsche Asset Management. Accordingly, when considering the track record and other financial information contained herein, each prospective investor should have regard to the fact that other employees of Deutsche Asset Management who have not joined Glendower Capital were involved in the investment committees of the SOF Funds and the investment decision-making process in respect of the investments made by the SOF Funds.⁷

Investment Highlights

The Manager believes that its market focus and strategic approach to transaction sourcing and disciplined investment process will generate high quality secondary private equity investment opportunities for the Fund.

Benefits of secondary market investing

- Capitalize on information asymmetries to re-price existing mature assets.
- Mitigate blind pool risk by focusing on mature portfolio assets and valuations.
- Mitigate the J-curve due to a shorter duration of investments and earlier cash distributions.
- Complement investors' portfolio construction by accelerating deployment of capital and providing diversified exposure across vintage (including older vintage years), strategy, industry and geography.

Compelling investment opportunity

- The secondary market has transitioned from a cyclical distressed play to an institutionalized market where US\$58 billion⁸ was transacted in 2017 by a wide range of sellers, including pension funds, sovereign wealth funds, endowments and foundations, asset managers, financial institutions and family offices.
- With US\$125 billion of near-term capital available for investment (commonly referred to as 'dry powder') available for secondaries vs 2017 annual volume of US\$58 billion, the supply-demand balance in the secondary market remains more favorable at 2.2x than other asset classes such as buyouts (3.7x).⁹
- Secondary market pricing has normalized and remains stable at ca. 90% of Fair Market Value ("FMV") since 2010¹⁰ within the range acceptable to both buyers and sellers leading to record secondary transaction volumes.¹¹

⁵ Secondary Opportunities Fund II, LP ("SOF II") is a pool of capital dedicated to the secondary market that held its first closing in 2011.

⁶ Secondary Opportunities Fund III, LP ("SOF III") is a pool of capital dedicated to the secondary market that held its first and final closing in 2014.

⁷ Past performance is not a prediction of the future performance of SOF, SOF D, SOF II or SOF III but is included to demonstrate the track record of the Glendower SOF Team and there can be no assurance that SOF IV will achieve comparable results or that any target results will be achieved.

⁸ Source: Glendower Capital based on Greenhill Secondary Market Trends & Outlook, January 2018.

⁹ Source: Glendower Capital based on 2018 Preqin Global Private Equity & Venture Capital Report, Bain & Company Global Private Equity Report 2018 and Greenhill Secondary Market Trends & Outlook, January 2018.

¹⁰ Source: Greenhill Secondary Market Trends & Outlook, January 2018.

¹¹ Source: Glendower Capital based on Greenhill Secondary Market Trends & Outlook, January 2018.