

# EATON

PARTNERS

*A Stifel Company*



ASIA PACIFIC GP-LED SECONDARY  
MARKET OUTLOOK FOR 2H 2021

# Agenda

1

Introduction to Eaton Partners GP Advisory Services

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2

GP-Led Transactions and Market Dynamics

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3

Catalysts for a GP-Led Transaction

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4

Addressing LP Communications

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5

APAC Market Landscape & Overview



**INTRODUCTION TO  
EATON PARTNERS  
GP ADVISORY SERVICES**

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# EATON IS AN OPERATING ARM WITHIN STIFEL

STIFEL

1890  
Founded

~\$7.0B  
Market Cap

~7,000  
Associates

~400  
Locations

+\$350B  
AUM

SF  
LISTED  
NYSE

## PLATFORM HIGHLIGHTS

- Investment Banking:
  - 600+ Professionals
  - 1,750+ M&A Transactions (since 2000)<sup>(1)</sup>
  - 3,100+ Public Offerings of Equity (since 2000)<sup>(1)</sup>
- Asset Management & Private Client Services:
  - 2,200+ Financial Advisors
  - \$350+ billion in Assets Under Management
  - 7<sup>th</sup> Largest Retail Distribution Network<sup>(2)</sup>
- Largest Equity Research Platform<sup>(3)</sup> (1,204 Companies)
- Ranked #1 in<sup>(3)</sup>:
  - M&A Transactions for Public Companies <\$1B
  - Preferred & Baby Bond Deals <\$200M
  - Equity Deals <\$1B Mkt Cap
  - Tech M&A for Transactions <\$1B

## FIRM CAPABILITIES

- Mergers & Acquisitions / Strategic Advisory
- Equity & Convertible Capital Raising (Public & Private)
- Private Fund Advisory
- Debt Capital Raising (Public & Private)
- Restructuring Advisory
- Equity Research
- Institutional Brokerage
- Asset Management
- Private Client Services
- Municipal Finance

Stifel has grown through acquisitions of sector & product specialists



(1) Dealogic YTD.

(2) SIFMA and publicly available information for U.S. Brokerage networks. Includes investment banks only.

(3) SEC filings; all #1 rankings since 2010.

(4) Market Cap as of June 30, 2021 close.

# EATON PARTNERS IS THE PREMIER FULL-SERVICE PLACEMENT AGENT

**INDUSTRY LEADING ADVISORY AND PLACEMENT FIRM FOR ALTERNATIVE INVESTMENTS WITH UNPARALLELED EXPERIENCE RAISING CAPITAL ACROSS VARIOUS STRATEGIES AND GEOGRAPHIES**

- Over **\$114 billion** raised for **160+** highly differentiated funds
- **\$28+ billion** placed in the last three years
- **45 first-time** funds raised (more than any of our peers)
- **30 oversubscribed** funds in the last three years

Proven Track Record

**EATON**

PARTNERS  
A Stifel Company

Full Service Platform

- **Secondary:** liquidity solutions spanning diverse transaction structures to meet GP & LP goals
- **Co-invest & Directs:** assist GPs in raising capital from LPs for new investments and/or minority sales
- Executed on **\$2.5B+** worth of secondaries and directs transactions over the last three years

- **15 dedicated** secondaries professionals
- **21-person** Distribution Team with **15** Marketing Associates for support
- **26-person** Execution Team
- **Nine offices** across three continents
- Select JV partnerships in additional key geographies

Global Resources

Affiliated with Stifel

- **Industry leading** middle market focused investment bank
- **HNW/Private** banking relationships commit **>\$1B/year** to alternatives
- **Growth equity** provided to increase resources across the Eaton platform
- **Strong technical** and valuation expertise

# EATON'S ACHIEVEMENTS PAST THREE YEARS

**\$28+ billion**

total capital placed for private funds

**\$2.5+ billion**

closed for secondaries and directs

**700+**

commitments closed

**50+**

funds and GP-led transactions closed

**30/41**

funds exceeded the target amount or hit hard cap

## Select Mandates

### GP-LED TRANSACTIONS

#### CommonWealth Equity Partners

Recapitalization of a leading Rubber Upcycling Flooring Company and Formation of a Fund I with Follow-on Commitments

**\$260M**

#### Lyric Capital Group

Recapitalization of a Music Royalty Portfolio with Follow-on Commitments

**\$350M**

#### Project Alpha

Formation of a Cont. Vehicle for Fund III in Conjunction with the Formation and Stapled Commitments to Fund IV

**\$243M**

#### CREO Capital Partners

Recapitalization of Fund III and Formation of a Cont. Vehicle for a Consumer-Focused Manager alongside Stapled Commitments

**\$125M**

### DIRECT RAISES

#### Project Prendi

Capital Raise for the Acquisition of an Iconic Pop Singer's Masters, Publishing, and Video Catalog

**\$130M**

#### Project Sawgrass

Capital Raise for an Independent Sponsor to Acquire a Leading Business in the Power Generation & Distribution Sector

**\$80M**

#### Project Comfort

Direct Transaction Equity Raise for a Mass Market Plush Company Based in the United States and China

**\$204M**

#### Project Eagle

Direct Co-Investment in Sponsor-backed Platform

**\$30M**

### PRIVATE EQUITY

#### Oak Hill Capital Partners IV

Consumer Services & Industrial Buyout



**\$2.7B**

#### Brightstar Capital Partners Fund II

Business & Industrial Services



**\$1.3B**

### REAL ASSETS

#### Copenhagen Infrastructure IV

European Energy Infrastructure



**€7.0B**

#### Five Point Capital Midstream Fund III

Midstream Energy & Water



**\$966M**

# EATON PARTNERS GLOBAL PRESENCE & CAPABILITIES

**70+** GLOBAL PLACEMENT SPECIALISTS ACROSS **9 OFFICES**

**15 DISTINCT NATIONALITIES**

**14 DIFFERENT LANGUAGES**



**SAN FRANCISCO**  
Laura Hegarty

**SAN DIEGO**  
Peter T. Martenson  
Peter Purcell  
Steffan Dye  
Kyle McManus  
Andrew Lobas  
Shannon Creen  
Allie Flint  
Priscilla Swinicki

**LATIN AMERICA**  
(Sub-Agent JVs in Chile, Colombia and Peru)

PRIVATE EQUITY INTERNATIONAL  
**AWARDS 2017**  
Placement agent  
of the year  
in North America

**CHICAGO**  
Christopher Maduri  
Ryan Kane

**HOUSTON**  
Jeffrey J. Eaton  
Ryan Haselden  
David Welp  
Steven Silvio  
Christina LaRotta  
Vanessa Spooner

**ROWAYTON, CT**

Charles P. Eaton  
C. Ulises Flores  
W. Michael Crawford  
Thomas S. Kreidler  
Eric R. Deyle  
Ryan D. Still  
Danielle Vanech  
Megan L. Holthaus

John J. Finn  
Olivia DiPaolo  
Nicole Ivanoff  
Megan Vitti  
Marie Brancaccio  
Lindsay Angotti  
Megan B. Felipe  
Marie-Louis Gene  
Eric Rogers  
Akrati Agarwal

**NEW YORK**

Steve Eaton  
Scott Froehlich  
John Baclawski  
Neeraj Mahey  
AJ Maney  
Charlie Suominen  
Jason Dorshow  
Robert Kraff

**LONDON**  
Ophir Shmuel  
James Townend  
Daniel Ayash  
Stefano Manna  
Anand Tanna  
Rhys Howell  
James Langley  
Ali Bentall  
Jessica Akyaa  
Fleur Mynott  
Shannon Freeman  
Katie Griffin

**JAPAN & KOREA**  
(Sub-Agents)

**SINGAPORE**  
(Sub-Agent)

**HONG KONG**  
Thomas Yu  
Jungsu Kim  
Raghav Kaushik  
Julian Kurz  
Ian Zhu  
Nancy Chaw  
Cheryl Ling  
Queenie Luk  
Ellié Choi

**KEY**  
● Eaton Partners Office  
■ Primary Marketing Regions



# DEDICATED GP ADVISORY SECONDARIES AND DIRECTS TEAM

## Asia Pacific



**Thomas Yu**  
Senior Director  
Hong Kong

## North America



**Peter T. Martenson**  
Managing Director  
San Diego

## EMEA



**Stefano Manna**  
Director  
London

## TEAM MEMBERS



**Peter Purcell**  
Director  
San Diego



**Andrew Lobas**  
Vice President  
San Diego



**Kyle McManus**  
Vice President  
San Diego



**Julian Kurz**  
Vice President  
Hong Kong



**Raghav Kaushik**  
Vice President  
Hong Kong



**AJ Maney**  
Associate  
New York



**Charlie Suominen**  
Associate  
New York



**Robert Kraff**  
Analyst  
New York



**Ian Zhu**  
Analyst  
Hong Kong



**Megan Vitti**  
Marketing Associate  
New York



**Priscilla Swinicki**  
Marketing Associate  
San Diego



**Shannon Creen**  
Marketing Associate  
San Diego



**Cheryl Ling**  
Marketing Associate  
Hong Kong





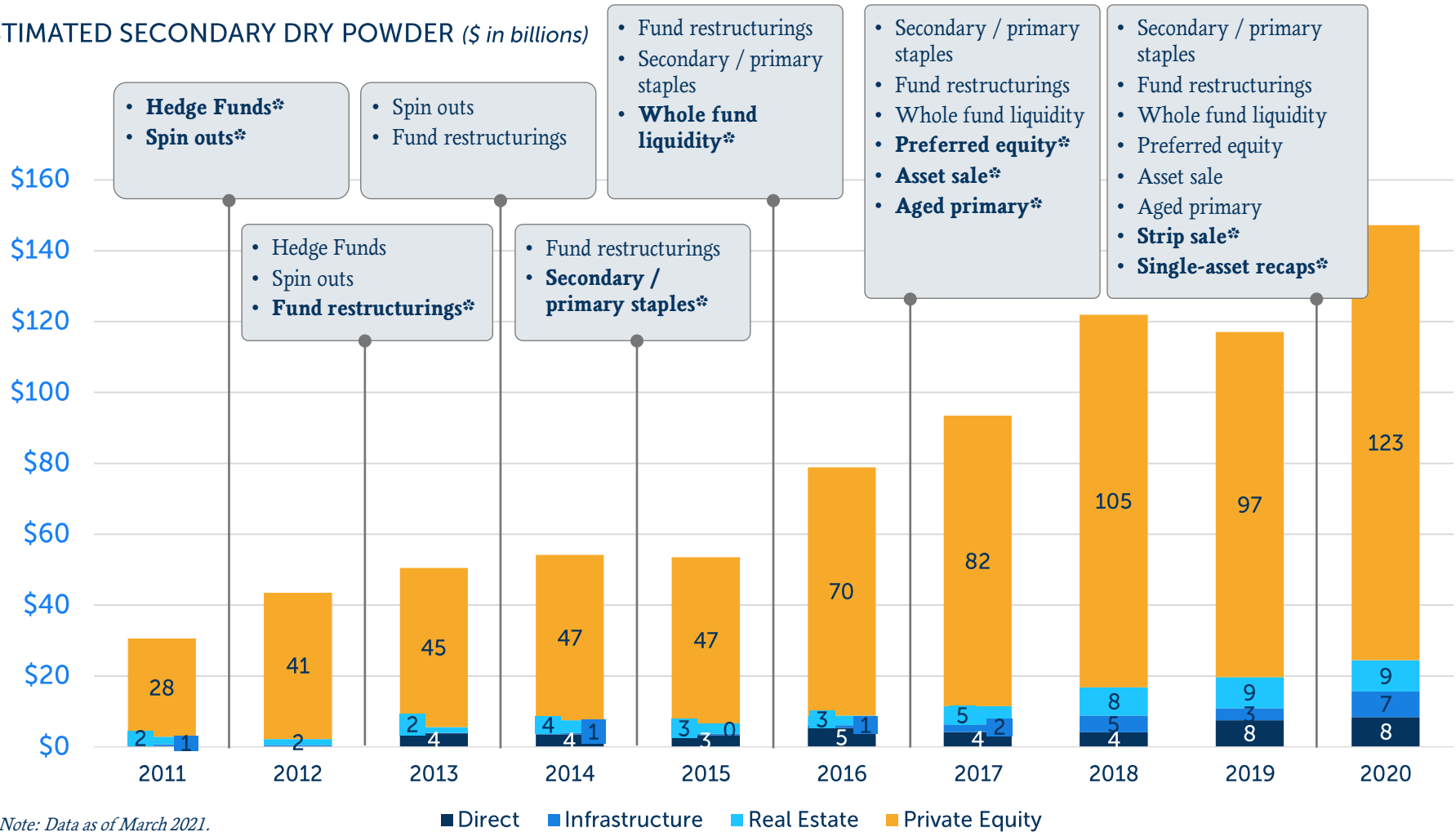
**GP-LED TRANSACTIONS  
AND MARKET DYNAMICS**

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# THE SECONDARIES MARKET CONTINUES TO GROW AND MATURE

THE SECONDARIES MARKET'S MATURATION HAS LED TO UNIQUE, NOVEL STRUCTURES FOR WHICH GPS & LPS ARE EXPANDING APPETITES AND WITH WHICH INVESTORS ARE BECOMING INCREASINGLY COMFORTABLE

ESTIMATED SECONDARY DRY POWDER (\$ in billions)



Note: Data as of March 2021.

Source: Prequin, Eaton Partners intelligence

\*Bold Secondary Structures Indicate Popularity, Not Introduction

# EACH GP ADVISORY PROJECT IS BESPOKE – ONE SIZE DOESN'T FIT ALL

## GP STAKE SALE

### Scenarios & Rationales:

- The GP has a strong track record of performance and potential to continue grow through additional capital or alignment with a new strategic partner

### Structure:

- New investor would acquire a minority non-voting interest in the management company

## SINGLE-ASSET RECAP

### Scenarios & Rationales:

- Duration mismatch between asset harvest period and fund life
- Asset has significant upside remaining

### Structure:

- New vehicle established to acquire the asset with potential for follow-on capital. Existing LPs will be given roll or sell options

## CONTINUATION FUND

### Scenarios & Rationales:

- Duration mismatch between a portfolio of assets and the fund life
- Assets have significant upside remaining

### Structure:

- New vehicle is established to acquire the assets, with potential for follow-on capital. Existing LPs will be given roll/sell option

## PORTFOLIO STRIP SALE

### Scenarios & Rationales:

- Strong unrealized returns in a mature fund with limited liquidity
- Investors require liquidity in an older fund before committing to newest fund

### Structure:

- New vehicle is established to purchase a portion of each asset and will be liable for future calls on a pro-rata basis with the main fund

## TENDER OFFER

### Scenarios & Rationales:

- Group of LPs indicated their interest in liquidity and LP(s) has not committed to the latest fund

### Structure:

- Facilitate competitive process where a group of buyers bid on purchasing a maximum amount of LP interests
- The process is often accompanied by a staple to the latest fund

## SEEDED FUND

### Scenarios & Rationales:

- GP has well performing assets and is looking to raise additional capital
- Assets are not currently in a fund structure and will be rolled into a fund to help the fundraise

### Structure:

- New investor would make a primary commitment to the fund with the opportunity for a mark up

## PREFERRED EQUITY

### Scenarios & Rationales:

- Portfolio requires follow-on capital or equity cure
- Distribution to LPs to satisfy liquidity demands

### Structure:

- New vehicle is established to provide preferred equity financing in exchange for priority right to distributions from the Fund's portfolio companies



**CATALYSTS FOR A GP-LED  
TRANSACTION**

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# CATALYSTS FOR GP-LED TRANSACTIONS

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## Expiring Fund



- End of fund life, requires multiyear extension
- GP would like to extend fund harvest

## LP Driven



- Multiple LPs express interest in seeking liquidity

## Underperformance



- Fund has underperformed return expectations

## Outperformance



- Fund has exceeded return expectations

## Management Change



- Key man event at the GP

## Change in Anchor LP



- Cornerstone LP looks to sell interest

## Capital Need



- Fund requires additional capital to facilitate growth strategy

## Non-Traditional LP Driven



- Providing liquidity options for non-traditional LPs

## Spinout



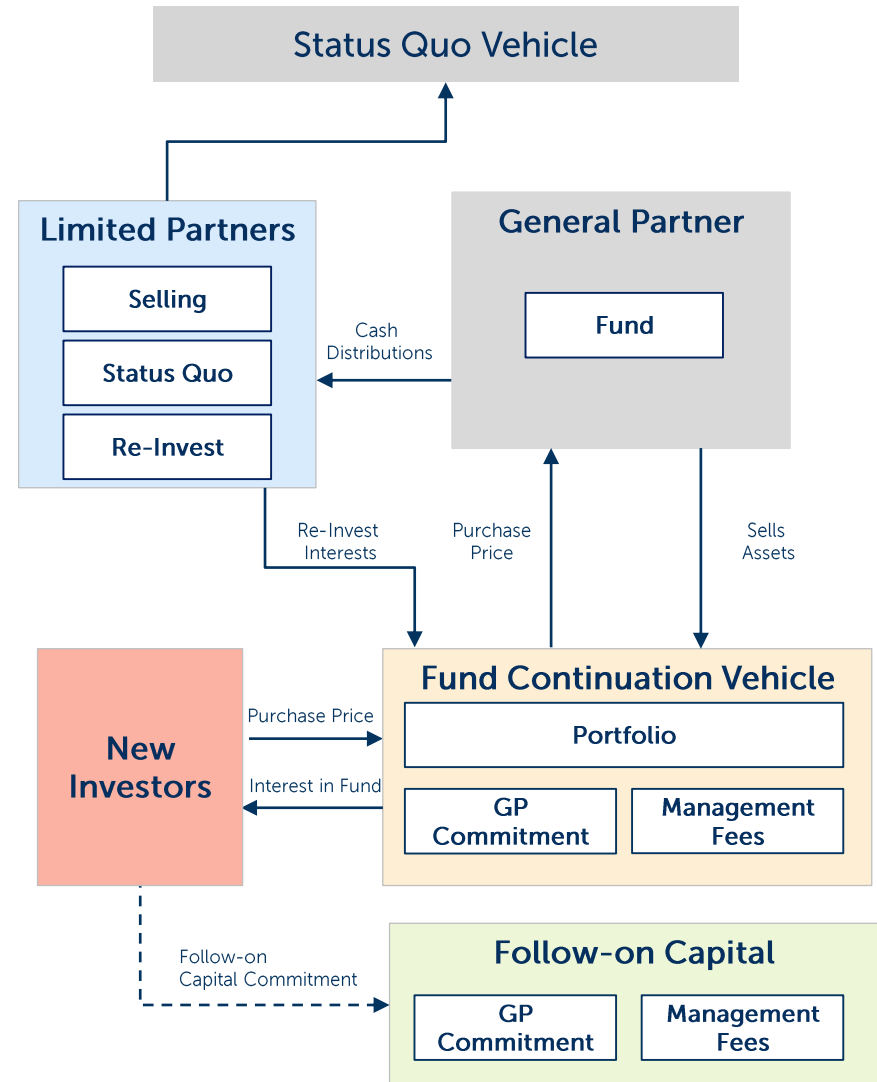
- Recapitalization of assets

# TRANSACTION STRUCTURE – FUND CONTINUATION VEHICLE

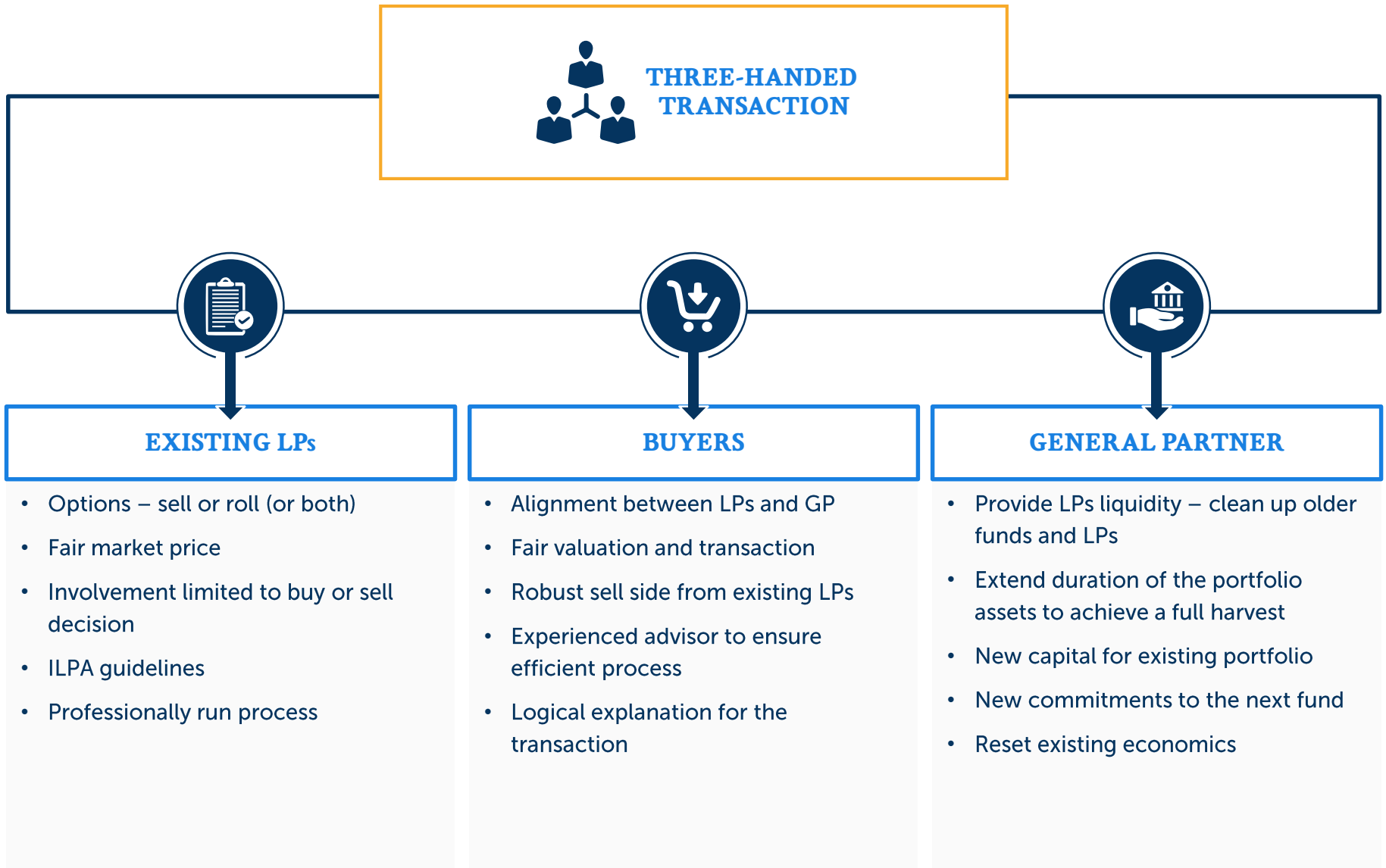
## OVERVIEW

- In this process, the GP expects to sell its remaining portfolio companies (or a portion) from its existing funds to a newly established special purpose vehicle, the Fund Continuation Vehicle
- Once a winning bidder is identified, the GP will offer its existing LPs with the following options:
  - **Liquidity:** Sell interests and be entitled to receive proceeds equal to the net purchase price
  - **Status Quo:** Maintain status quo under existing terms (with an extended duration)
  - **Re-invest:** Re-invest net, pro-rata alongside the new investors in the Fund Continuation Vehicle on the same price and terms
- Prospective investor(s) will commit capital to the Fund Continuation Vehicle to fund the liquidity option, receiving limited partner interests in the Fund Continuation Vehicle with mutually agreed upon new terms and conditions
- Additionally, investors will be expected to commit additional capital to fund potential follow-on investments in the Portfolio or a stapled commitment to a new Fund

## ILLUSTRATIVE STRUCTURE



# A THREE PARTY DYNAMIC – CREATE WIN, WIN, WIN TRANSACTION





and Indices

US Dollar

May 20

# ADDRESSING LP COMMUNICATIONS

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# ADDRESSING LP COMMUNICATIONS

## START YOUR DIALOGUE WITH AN ADVISOR EARLY

- When reviewing a potential GP-led transaction, it is important for the sponsor to meet with an advisor who can manage relationships and various dialogues

## BEGIN DISCUSSIONS WITH CURRENT LPS EARLY

- GPs should share the transaction with the Limited Partnership Advisory Committee (LPAC) as well as a broader set of limited partners as early as possible in the process to ensure they are receiving full transparency

## CLEARLY EXPLAIN THE RATIONALE

- Existing limited partners will be looking to the GP to explain its rationale behind the transaction and what the outlook is for the limited partners if they elect to participate
- An advisor will be able to help in shaping these discussions, and can assist in coordinating and writing investment letters to limited partners to walk through the transaction

## PROVIDE SUFFICIENT TIME

- ILPA recommends affording the limited partners 30 calendar days, or 20 business days, to evaluate the proposed transaction

## PRICING COMMUNICATION

- The LPAC will need to be assured that the GP-led process was able to provide the best possible pricing for current limited partners
- Hiring an advisor will help to alleviate some concerns as an advisor will run a professional process with a broad list of investors that maximizes liquidity along with providing LPs an analysis of the exit proceeds provided based on the transaction structure

The background of the slide is a blurred financial chart with a blue tint. It features several lines representing data trends. Faint text visible in the background includes "and Indices" on the left, "US Dollar" in the middle, and "May 20" on the right. A solid red horizontal line is positioned below the main title.

# APAC MARKET LANDSCAPE & OVERVIEW

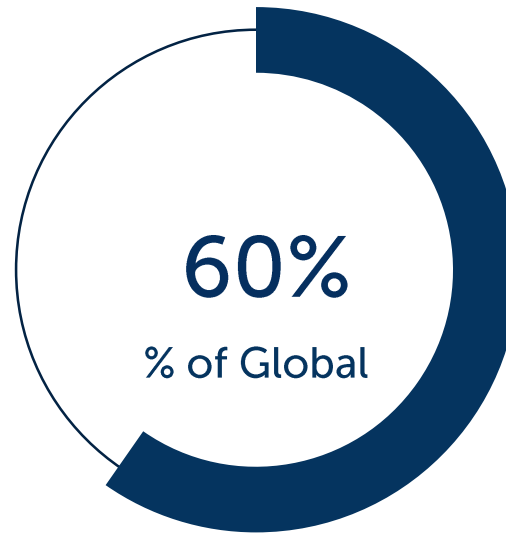
# ASIA PRIVATE EQUITY IS STRUCTURALLY UNDER-REPRESENTED

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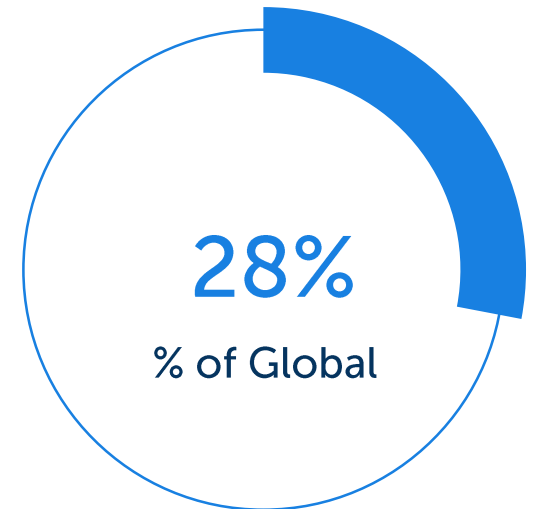
## Asia GDP



## Asia Population



## APAC Total PE AUM

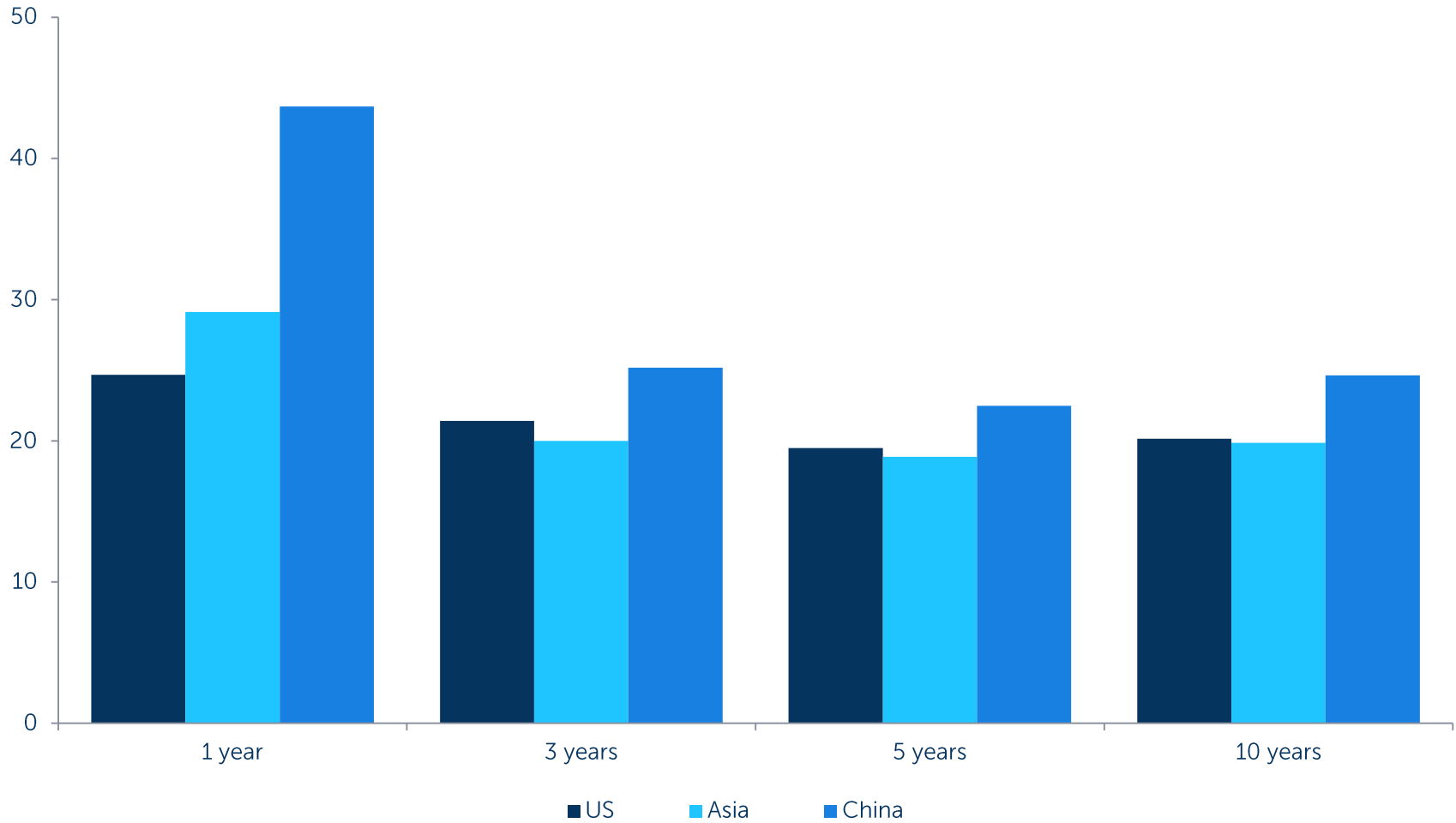


*Note: APAC allocations of non-APAC-focused funds have been excluded. AUM includes venture capital; funds of funds have been excluded; population and GDP as a % of global are Asia statistics in 2019.*

*Source: BCG, Preqin, World Bank, World Economic Forum, Eaton Partners analysis.*

# CHINA PRIVATE EQUITY HAS OUTPERFORMED

Top Quartile Net IRR (%)

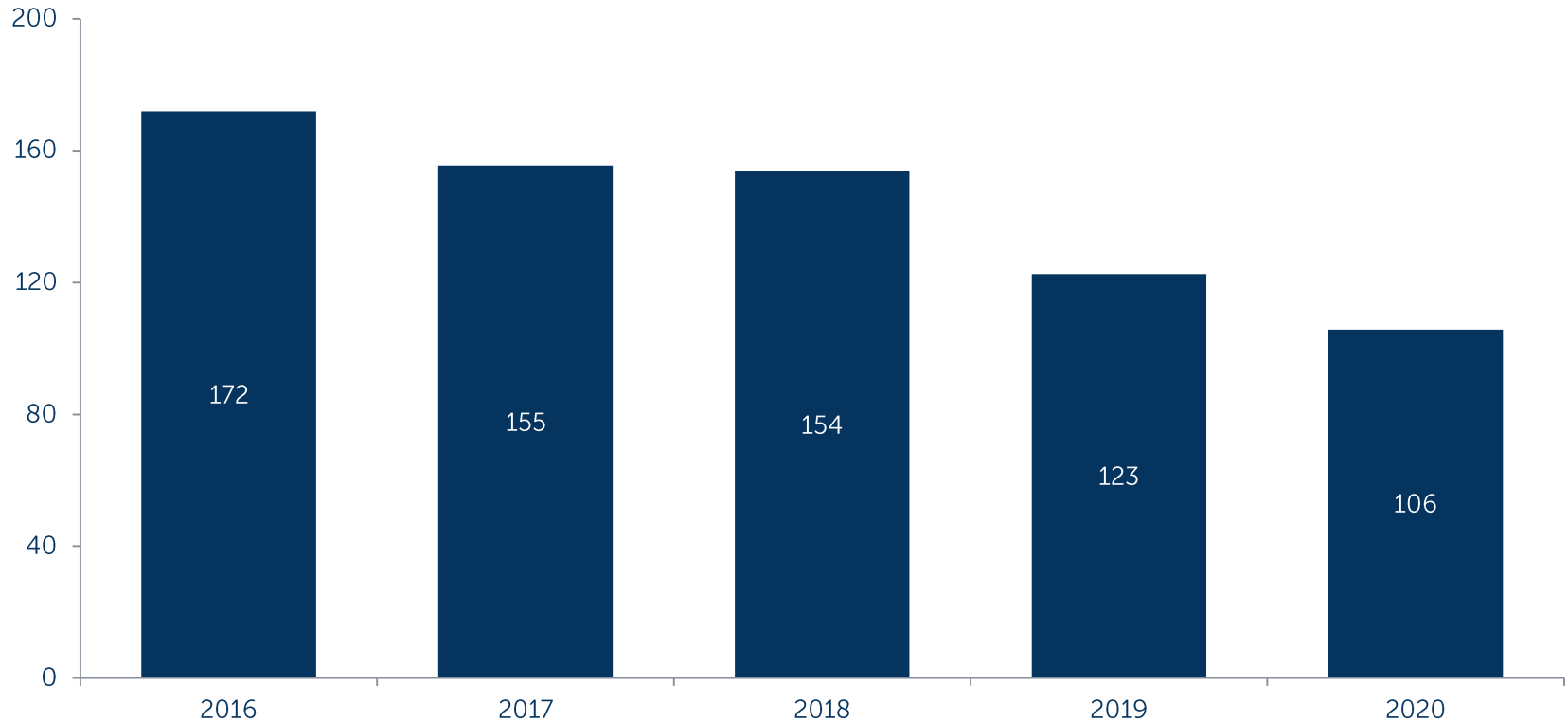


Notes: Data as at Q4 2020  
Source: Burgiss



# FUNDRAISING IS DRIVEN BY THE REGION'S MEGA FUNDS

## Asia Private Equity Fundraising (\$bn)



Top 10 funds raised  
as a % of total

65%

66%

63%

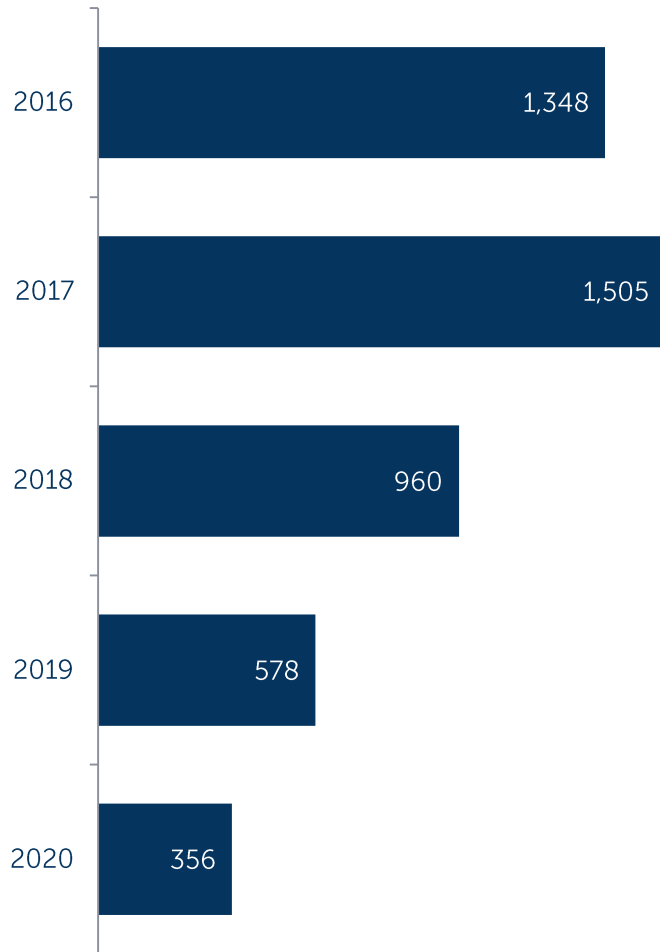
61%

79%

*Note: The numbers for top 10 funds raised as a percentage of total are based on non-RMB funds raised.  
Source: AVCJ; Preqin.*

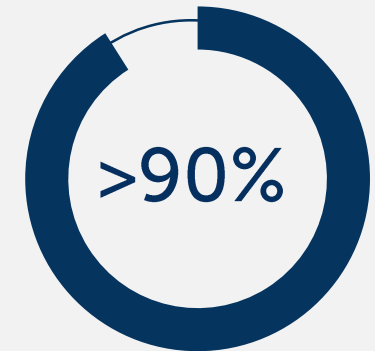
# IMPACT OF COVID-19 ON PRIMARY FUNDRAISING

## 2020: Number of Funds Closed Fell in APAC



## 2021: Re-Stabilization

% OF LPS WILLING TO TAKE FIRST GP MEETING VIRTUALLY



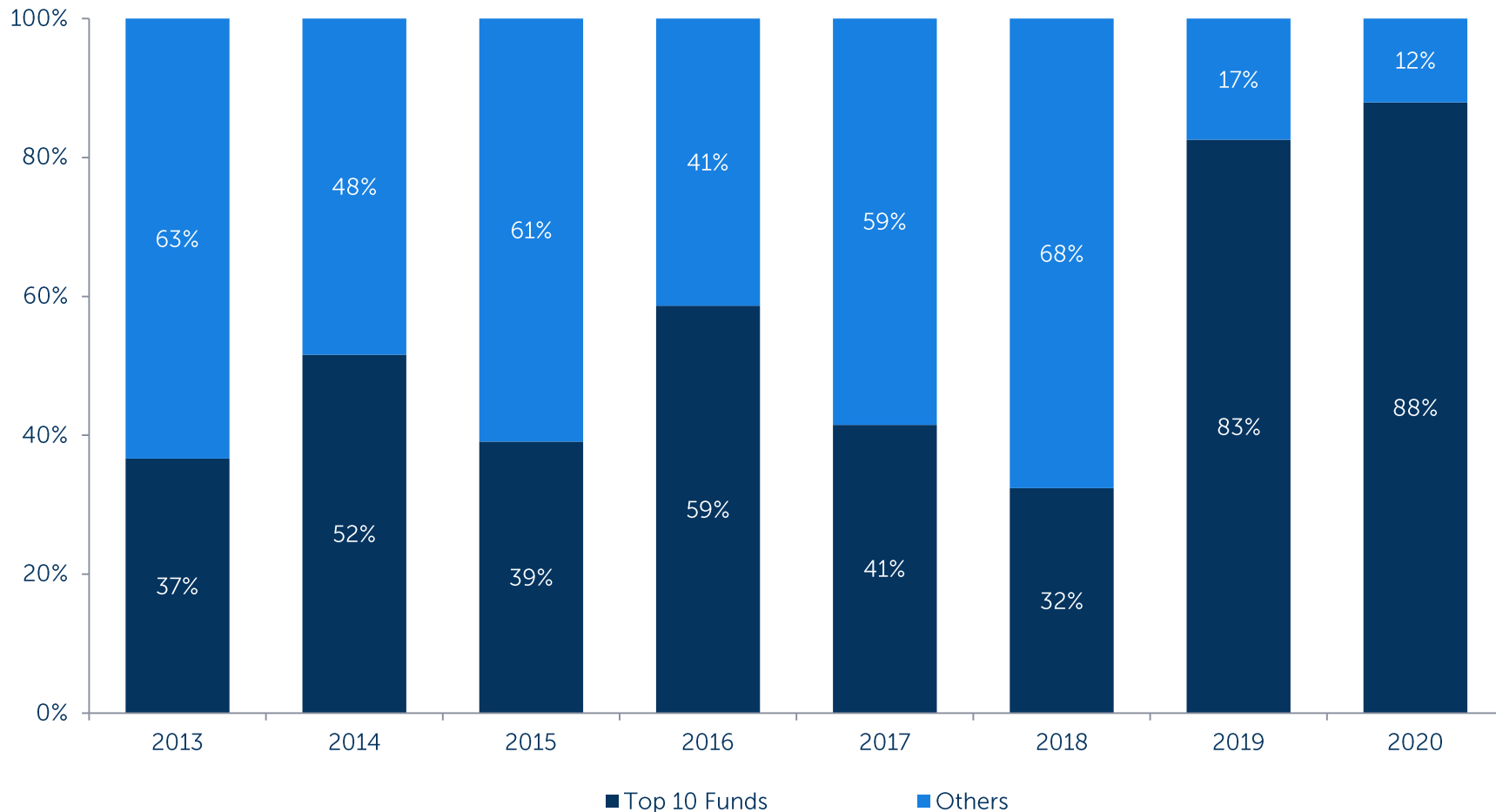
% OF LPS WITH ABILITY TO COMMIT TO NEW GP WITHOUT FACE-TO-FACE MEETING



*Note: Number of funds closed excludes real estate and infrastructure.  
Source: Bain & Co; McKinsey*

# CHINA FUNDRAISING IS CONCENTRATED IN LARGER-SIZE FUNDS

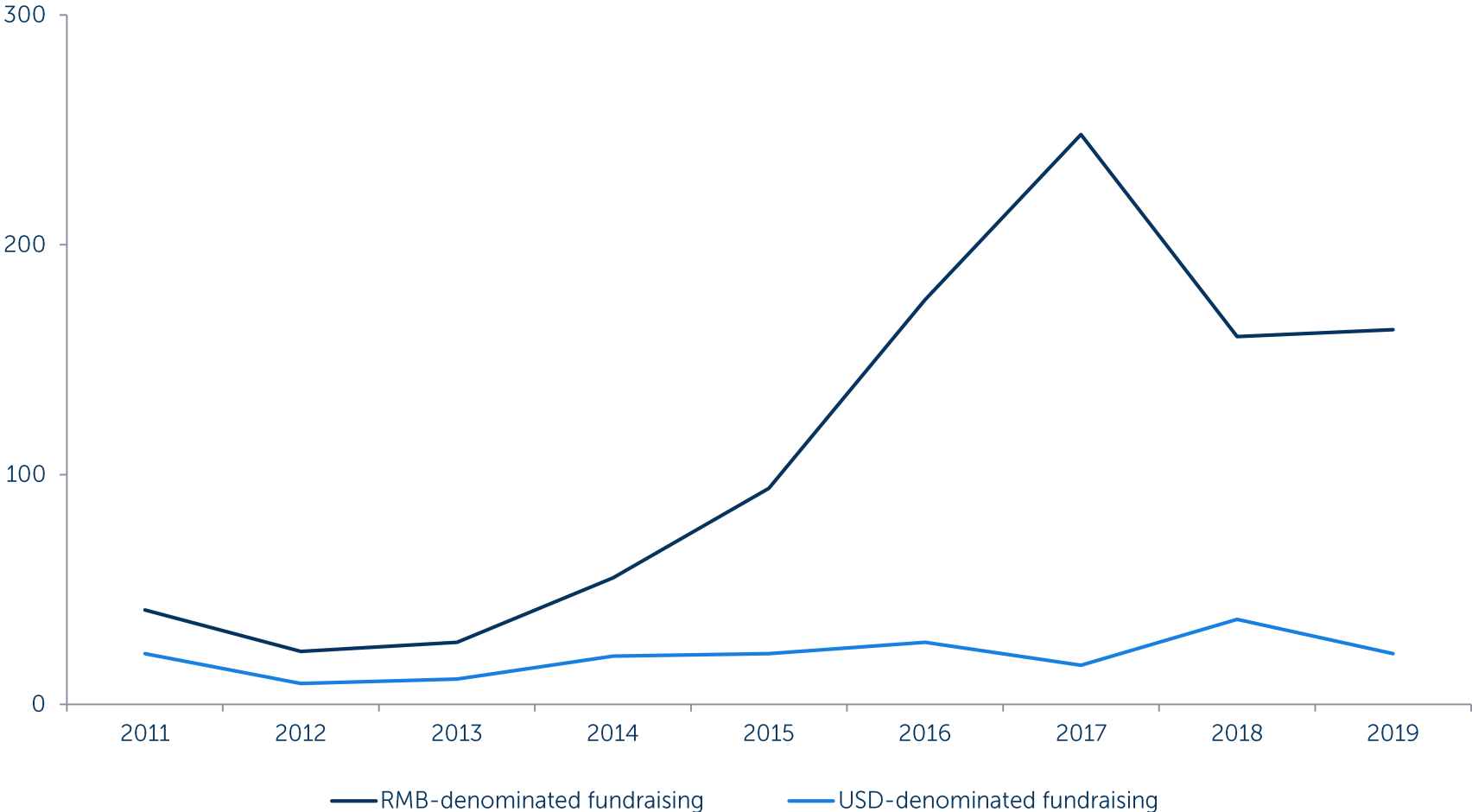
China Private Equity USD Fundraising (\$bn)



Source: Preqin, Zero2IPO, and Schroder AdvEq

# RMB-DENOMINATED FUNDRAISING DOMINATES THE CHINA MARKET

China Private Equity Fundraising 2011-2019 (\$bn)

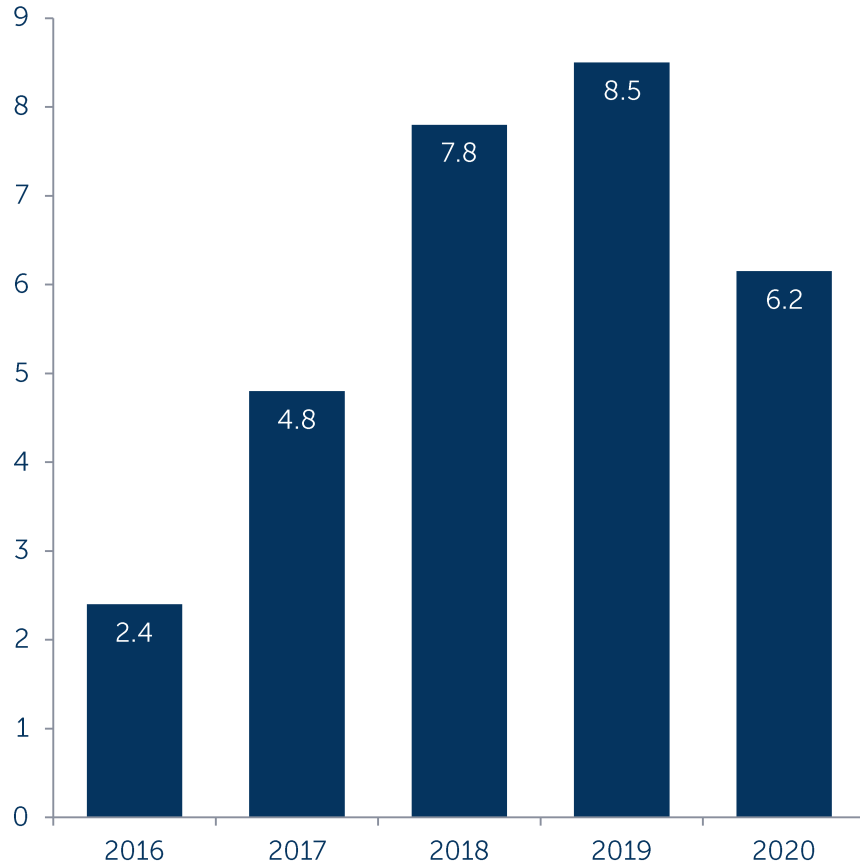


Note: Includes Chinese government guidance funds  
Source: Zero2IPO, Schroder AdvEq

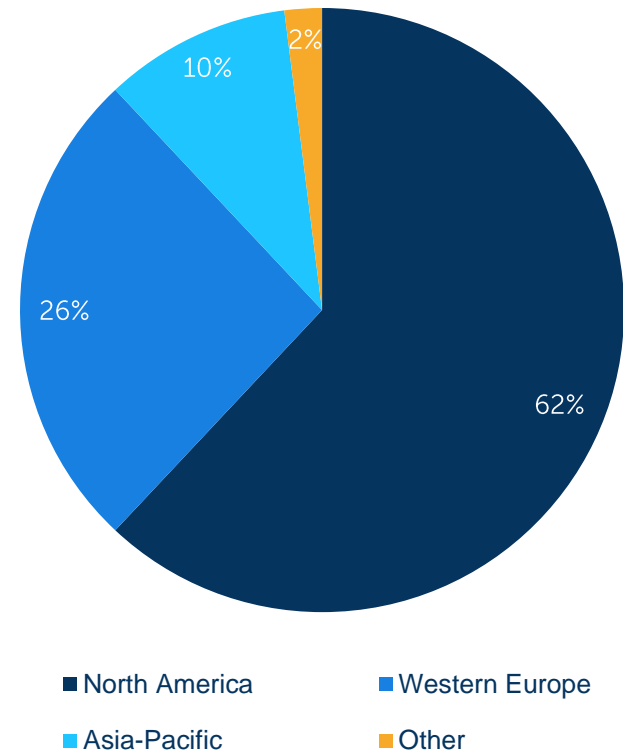


# SECONDARIES' GROWTH HAS ACCELERATED IN APAC

Asia-Pacific Private Equity Secondary Transactions  
Volume 2016-2020 (\$bn)



Breakdown of Private Equity Secondary Transactions  
by Region 2020



Source: Eaton Research, Lazard, Setter capital

# CASE STUDIES

## LOYAL VALLEY CAPITAL

- Fund Target: \$400 million
- Closed at \$465 million in October 2019



Loyal Valley Capital

**Industry:** Venture Capital / Growth Equity

**Transaction:** Restructuring of selected RMB assets into a USD secondary vehicle (USD Fund I) ahead of a Fund II fundraise to secure (USD) dry powder for deploying into new investments.

## PROJECT FLASH

- ~\$400 million
- Closed August 2020

*Confidential Transaction*

**Industry:** Venture Capital / Growth Equity

**Transaction:** Restructuring of a long-dated single-asset investment into a continuation vehicle to provide a liquidity option to existing investors

and Indices

# CONCLUSION

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US Dollar

May 20

and Indices

QUESTIONS?

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US Dollar

May 20

# IMPORTANT NOTICE

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# KEY CONTACTS

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## ASIA-PACIFIC (APAC)

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Thomas Yu  
[ty@eaton-partners.com](mailto:ty@eaton-partners.com)  
T +852 3792 0151

## NORTH AMERICA

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Peter Martenson  
[ptm@eaton-partners.com](mailto:ptm@eaton-partners.com)  
T + 858 200 3064

## EMEA

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Stefano Manna  
[smanna@eaton-partners.com](mailto:smanna@eaton-partners.com)  
T +44 20 3465 1075

## LOCATIONS

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Hong Kong

New York  
Rowayton  
Chicago  
Houston  
San Francisco  
San Diego

London