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ALTERNATIVE INVESTMENT PRIMER

PRIVATE EQUITY & THE SECONDARY ADVANTAGE

OVERVIEW

Private equity firms acquire private companies, divisions of larger companies and public companies (by taking them private). They seek to uncover operational and pricing inefficiencies, improve value and sell at a profit.¹

PRIVATE EQUITY SEEKS TO

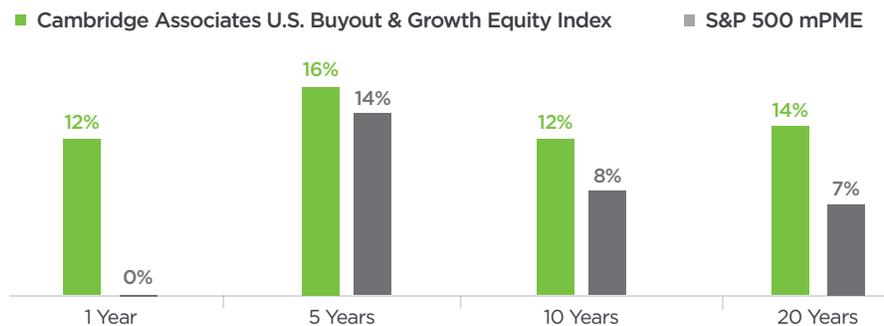


Private equity firms seek to uncover operational and pricing inefficiencies, improve value and sell at a profit.

Historically, investors have looked to private equity as a potential source of attractive returns, low correlation to other asset classes, diversification from public securities and the possibility of returns greater than those otherwise available in the public markets. For the taxable investor, an added benefit is that returns may receive favorable long-term capital gains treatment. Of course, private equity investments involve substantial risks, including, but not limited to, a loss of capital.

PRIVATE EQUITY HISTORICAL RETURNS

U.S. Buyout and Growth Equity Index, published by Cambridge Associates, a creator of private equity industry standard benchmarks, has outperformed the S&P 500 over 1, 5, 10 and 20 years.²



Past performance is not indicative of future results. Modified Public Market Equivalent (“mPME”) is a proprietary private-to-public comparison calculation created by Cambridge Associates that evaluates what returns would have been achieved had the dollars invested in private investments been invested in public markets instead.

PRIVATE EQUITY STRUCTURE

Unlike traditional investors who are dependent on publicly available data, private equity investors have access to significantly more information. Typically, private equity investors enter into confidentiality agreements with a target company to obtain information that is not available to other investors. This offers a deeper understanding of appropriate valuations to be paid, operational inefficiencies, the company's competitive market position, optimal financing and deal structures and, finally, an anticipated exit strategy.

STRUCTURAL DYNAMICS MAY HELP DRIVE RETURNS

Private equity managers are focused on long-term growth, not short-term stock price.

Access to Information	In-depth due diligence using public and non-public data to inform pricing, deal structure, exit strategy
Capital Deployment	Patient capital, invest opportunistically as investments identified
Control Positions	Invest for control and align management interests via equity participation
Capital Gains	Generally long-term
Investment Horizon	<ul style="list-style-type: none"> Focus Operational, governance, cap structure and strategic positioning improvements focus on Long-term growth, not short-term stock price

PRIVATE EQUITY INVESTMENT TYPES

Private equity investors, also called Limited Partners or LPs, typically access private equity through "primaries," new funds currently raising capital, acquired directly from the Sponsor or General Partner (also called GP), "secondaries," interests in existing funds typically with existing investments and remaining unfunded commitments acquired from other investors, or "co-investments," direct investments or interests in a portfolio company alongside a manager.

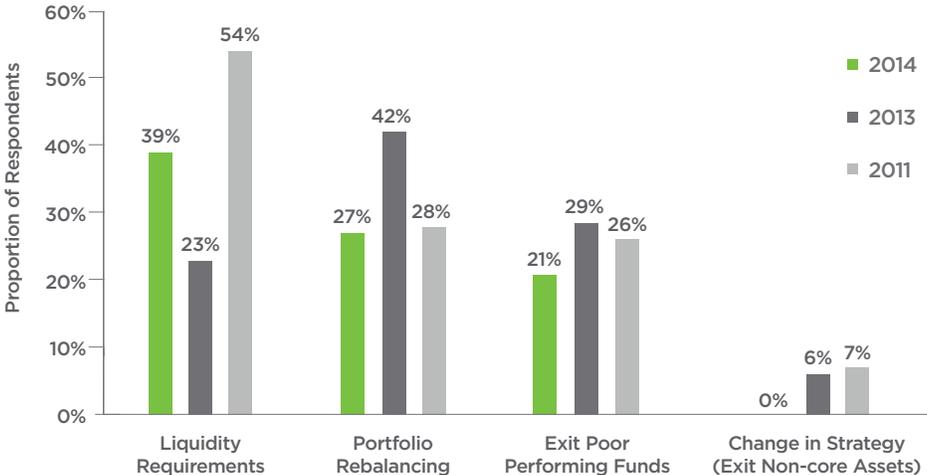
Primaries	Secondaries	Co-Investments
Interests in new funds acquired directly from the sponsor	Existing fund interests acquired from other investors, typically, with existing investments and unfunded commitments	Direct investments in a company alongside fund manager
		Typically no management fee or carry

SECONDARY MARKET EVOLUTION

A secondary market for interests in private equity funds has developed to facilitate liquidity for private equity investors. With the General Partner's permission, an investor may sell their fund interest to another investor.

Investors may wish to sell their private equity holdings for a myriad of reasons, including diversification, concentration reduction, liquidity requirements, capital redeployment or portfolio rebalancing. The secondary purchaser may be an existing investor in the fund looking to increase their position or may be a new investor looking for access to the fund. The purchaser is responsible for meeting all future capital calls and becomes a substitute limited partner of the fund.

MOTIVATIONS FOR SELLING ON THE SECONDARY MARKET³



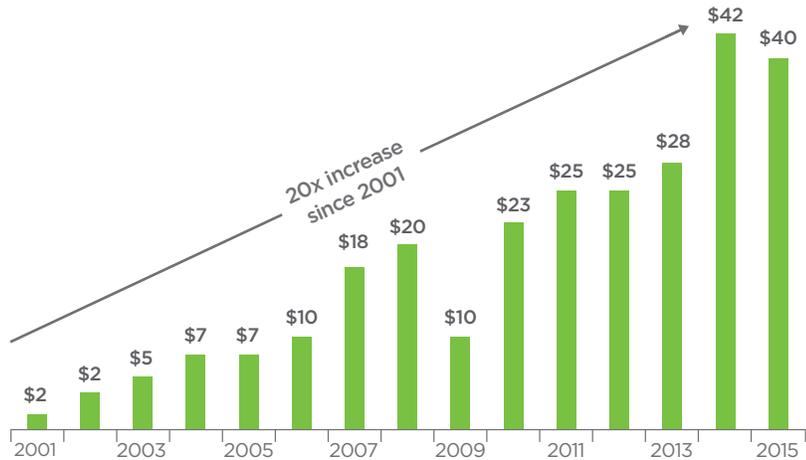
The size and growth of the secondary industry has followed the boom in private equity. The more investors commit to private equity, the more likely there are to be sellers of private equity on the secondary market several years later.

Sellers in the private equity secondary market tend to be institutional investors, typically the largest holders of private equity, including private equity fund-of-funds managers, pension funds (public and private) and financial institutions.⁴

In the early 2000s, the secondary private equity market was small, fragmented and consisted of very few buyers. During the 2008 financial crisis, endowments and foundations were frequent sellers. Today, the size and growth of the secondary industry has followed the boom in private equity. The more investors commit to private equity, the more likely there are to be sellers of private equity on the secondary market several years later.

GLOBAL SECONDARY MARKET (\$B)³

Transaction volume has grown twenty times since 2001



A secondary investment is typically at least partially or fully, through its investment period, thus providing visibility into underlying portfolio companies and performance.

THE SECONDARY ADVANTAGE

In addition to the aforementioned private equity benefits, secondary investing may offer compelling advantages.

REDUCED BLIND POOL RISK

Primary private equity fund investing involves committing capital to a fund manager with complete discretion over portfolio companies to be acquired. In contrast, a secondary investment is typically at least partially, or fully, through its investment period, thus providing visibility into the fund's underlying portfolio companies and performance.

Before making a secondary purchase, each portfolio company is analyzed and valued, ultimately driving the price that a secondary buyer is willing to pay.

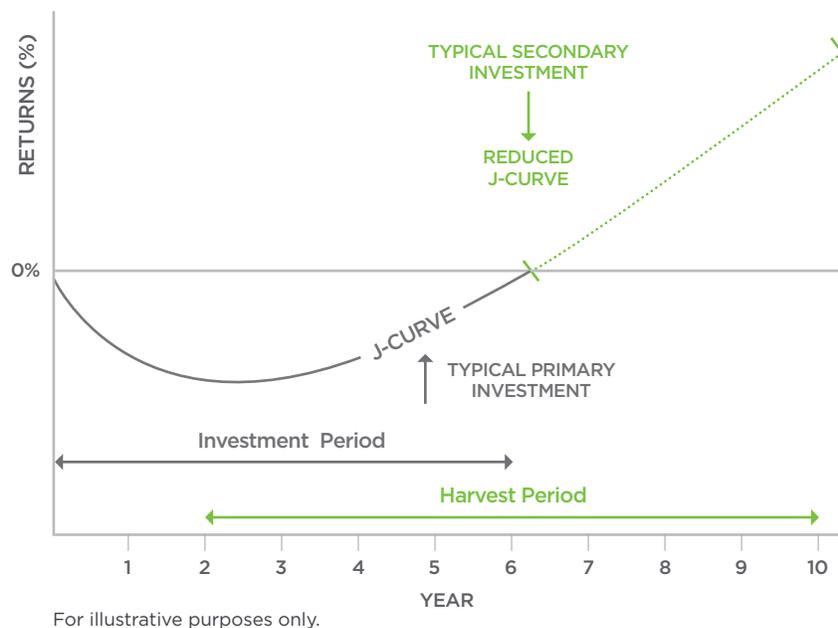
REDUCED J-CURVE EFFECT

Acquiring funds that have already invested significant capital may help reduce the J-curve generally associated with private equity investing.

Private equity investing is typically cash flow negative in the early years, driven by the time it takes to build a portfolio, the impact of management fees charged by the fund manager and assets that are too immature to grow in value in the early years of ownership.

As a fund matures (years five to six, on average) it may start to become cash flow neutral and thereafter cash flow positive as value is created and portfolio companies are exited.

THE J-CURVE⁵



Secondary buyers who acquire later in the fund's life may avoid some, or all, of the cash flow negative years and receive distributions on an accelerated basis.

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DISCOUNTS

As an illiquid asset, secondary interests may trade at a discount to net asset value ("NAV"). A discount to NAV results in a gain that immediately increases the value to a buyer at the time the transaction occurs.

Pricing of secondary interests tends to fluctuate with economic conditions. During and shortly after the financial crisis in 2008, discounts ballooned to approximately 30-40%. Discounts have since narrowed as the markets have recovered, and currently range from approximately 10% to par (no discount) and at times even a premium to par, depending on the private equity fund being purchased.

REDUCED FEES

Private equity fund fees and expenses are paid only during the holding or investment period. Secondary investors typically acquire funds that are partially or fully through their investment periods, potentially avoiding early fees and expenses borne by the primary investor.

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DIVERSIFICATION

Secondary investors may select from a wide array of vintage years, geographies, strategies and managers available for sale at any given time. This allows for a level of private equity diversification that is difficult to achieve with primary investments alone.⁶

CRITICAL CAPABILITIES FOR SECONDARY INVESTORS

Potential success in the secondary market may be predicated on:

- Industry relationships and networks with access to the secondary market
- Specialized skills for valuation and due diligence
- Legal, finance and tax expertise to bid, negotiate and close transactions
- Sufficient capital to assume large institutional investments
- Ability to commit/act quickly

INVESTOR CONSIDERATIONS

While the benefits of investing in private equity may be considerable, private equity is not for everyone. Of course, private equity investments involve significant risks, including a total loss of capital. The risks associated with private equity arise from several factors, including limited diversification, the use of leverage, limited liquidity and capital calls made on short notice (failure to meet capital call obligations may result in consequences including a total loss of investment).

Qualified investors who appreciate the risks and potential rewards of private equity may wish to consider an appropriate allocation to the strategy.

END NOTES

1. Generally, this document focuses on descriptions of leveraged buyout investing. See Commonly Used Terms.
2. Source: Cambridge Associates Global Buyout & Growth Equity Index and Selected Benchmark Statistics, 9/30/15 (published 2/16), the most current information available. Cambridge U.S. Buyout & Growth Equity Index is an end-to-end calculation based on data compiled from 945 U.S. buyout and growth equity funds including fully liquidated partnerships, formed between 1986 and 2015, pooled end-to-end return, net of fees, expenses and carried interest. Cambridge Associates Modified Public Market Equivalent (“mPME”) replicates private investment performance under public market conditions. The public index’s shares are deemed purchased and sold according to the private fund cash flow schedule, with distributions calculated in the same proportion as the private fund. The S&P 500® includes 500 leading companies, captures approximately 80% coverage of available market capitalization and is regarded as a gauge of large-cap U.S. equities. Central Park Group believes that comparisons to public market indices, including on an mPME basis, provide useful information to investors. However, investors should be aware of limitations of the comparisons which provide only one approach to comparison of returns. Prospective investors should consider comparisons to other indices and benchmarks. Indices are provided for illustrative purposes only. See Commonly Used Terms.
3. Source: Greenhill Cogent Partners Secondary Market Trends & Outlook, February 2016.
4. Preqin Special Report: Private Equity Secondary Market, June 2014.
5. The graph, which does not contemplate fees, expenses and carried interest, is for illustrative purposes only and is not meant to provide an example of investment returns or performance of any fund. The actual profile of any investment in a fund may vary substantially. Capital drawdowns and distributions contemplate a 10-year fund. Timing of capital drawdowns and distributions will vary and are not intended to be representative. Not all private equity funds will be profitable given the inherent risks of investing in private equity, including macroeconomic factors and the performance of underlying companies.
6. Diversification does not ensure a profit or protect against loss.

This document is intended to provide interested persons with insight on private equity and is not intended to promote any manager or firm, nor does it intend to advertise their performance. Unless otherwise noted, all opinions expressed are those of Central Park Advisers, LLC. The information in this report is not intended to address the needs of any particular investor.

RISK CONSIDERATIONS

Alternative investments are speculative and involve substantial risks and conflicts of interest. An investor may lose some or all of their investment.

Alternative investments may not be appropriate for all investors. This document does not constitute an offer to purchase any securities or obtain investment advisory services. The risks associated with alternative investments arise from several factors, depending on the specific type of investment.

Some alternative investments:

- Use leverage and other speculative strategies that may increase the risk of loss
- Are impacted by fluctuations in interest rates, currency values or credit quality
- Do not provide periodic pricing or valuation information to investors
- May delay distribution of important tax information
- May charge high fees

Before investing in a fund, review the detailed explanation of risks as well as all other information in the offering materials. Central Park Group does not provide tax or legal advice. Please contact your tax and legal advisors regarding your specific situation.

There are risks associated with investing in alternatives such as private equity. There is no assurance that objectives will be achieved or that an investment program will be successful. Investors in funds-of-funds bear management fees as well as other fees, incentive allocations, if any, and expenses imposed by the funds-of-funds as well as those of the underlying funds. Investors in access funds bear an additional layer of fees and expenses. Private equity involves capital calls that may be made on short notice and failure to meet the capital calls can result in consequences including, but not limited to, a total loss of investment.

All investments in securities involve risk of the loss of capital. Alternative investments are sold to qualified investors only by a Confidential Offering Memorandum or Prospectus. Alternative investments provide limited liquidity and include, among other things, the risks inherent in investing in securities and derivatives, using leverage and engaging in short sales. An investment in an alternative investment fund is speculative, involves substantial risks and should not constitute a complete investment program. An alternative investment fund may be highly leveraged and the volatility of the price of its interests may be significant. Alternative investments may involve complex tax structures and there may be delays in distributing important tax information.

Alternative investment funds may not be subject to the same regulatory requirements as mutual funds, and their fees and expenses may be high. This summary is for informational purposes only and does not constitute an offer to sell or a solicitation of an offer to buy interests in any fund. Interests are not deposits or obligations of, or guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other governmental agency.

Published in June 2016. Information presented herein may have changed since publication and may not be updated. Contact Central Park Group for updated information at (212) 317-9200 or info@centralparkgroup.com.

COMMONLY USED TERMS

Cambridge Associates Modified Public Market Equivalent (“mPME”) –

Replicates private investment performance under public market conditions via a mathematical analysis. mPME attempts to answer the fundamental question investors ask themselves about their private investments: are the returns from private investments worth the illiquidity and administrative burden incurred? The public index's shares are deemed purchased and sold according to the private fund cash flow schedule, with distributions calculated in the same proportion as the private fund. With each distribution, mPME “sells” the same proportion of the dollar value of shares owned by the public equivalent as the private investment sells in private shares. The mPME attempts to evaluate what return would have been earned had the dollars been deployed in the public markets instead of in private investments while avoiding the “negative NAV” issue inherent in some PME methodologies. The same metrics typically used to evaluate private investments, like multiples of invested capital and internal rates of return (IRR), can also be generated in mPME analyses. Central Park Group believes that comparisons to public market indices, including on an mPME basis, provide useful information to investors. However, investors should be aware of limitations of the comparisons which provide only one approach to comparison of returns. Prospective investors should consider comparisons to other indices and benchmarks. Indices are provided for illustrative purposes only.

Capital Call – Private equity funds call capital from investors as needed to fund investments.

Correlation – A statistical measure demonstrating the degree to which two variables (or investments) are related.

Indices – Provided for illustrative purposes only. They do not represent benchmarks or proxies for the return of any particular security holding or alternative investment. The indices referenced in this document do not reflect the performance of any individual account. Indices are unmanaged, include the reinvestment of dividends, do not reflect the impact of management or performance fees and are not available for investment. One cannot invest directly in an index.

General Partner – General partners are responsible for managing the investments within the private equity fund. For their services, they earn a management fee and a percentage of the fund's profits, called carried interest. The general partners can be legally liable for the actions of the fund.

Internal Rate of Return (“IRR”) – The implied discount rate at which the present value of future cash flows equals the cost of the investment.

J-Curve - Illustrates the historical tendency of private equity funds to deliver negative returns in early years and investment gains in the outlying years as the portfolios of companies mature.

Leveraged Buyout – Takeover of a company using borrowed funds. Generally, the target company's assets are used as security for the loans taken out by the acquiring firm, which repays the loan out of cash flow of the acquired company.

Limited Partner – Usually institutional or high net worth investors investing in a private equity fund. Limited partners do not take part in the fund's active management. They are protected from losses beyond their original investment as well as any legal actions taken against the fund.

S&P 500® – A capitalization-weighted unmanaged index of 500 common stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The index's performance includes reinvestment of dividends and capital gains.

Vintage Year – The year in which a private equity fund begins investing.

CENTRAL PARK GROUP, LLC

Central Park Group, LLC, together with its affiliates, is an independent investment advisory firm that specializes in alternative investment strategies. The Firm offers investments managed by private equity, hedge fund, real estate and fund-of-funds sponsors.

Central Park Group provides a broad range of investment offerings tailored for institutions and qualified private client investors. It distributes offerings through U.S. brokerage firms, registered investment advisors, financial planning firms and family offices.

Central Park Group's founding partners are a respected team of investment professionals with significant experience across the spectrum of alternative investments and traditional asset management.

For additional information, visit www.centralparkgroup.com

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