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SEPTEMBER 2024

LAZARD

PRIVATE CAPITAL ADVISORY

Interim Secondary Market Report 2024

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As used herein, "Lazard Estimates" refers to a global survey that Lazard launched to take inventory on the secondary market in H1'24 and an internal database at Lazard that tracks financial sponsor secondary transactions. The database aggregates information gathered from publicly available sources, discussions with secondary investors and transactions Lazard has executed in the applicable calendar year. The database does not capture all financial sponsor secondary transactions, and certain values in the database are estimates.

Introductory Remarks – Holcombe Green III

Secondary deal flow got off to the fastest first half ever, building on accelerating momentum in the second half of 2023 and setting the stage for a record year of volume

The secondary market demonstrated considerable strength in the first half of 2024, generating an estimated \$71 billion of volume and building the foundation for a record year overall. Despite some positive trends in the M&A market, lagging distributions have encouraged sponsors and limited partners to access the GP-led and LP-led secondary markets to generate liquidity. On the demand side of the equation, a proliferation of new entrants entering the secondary market and the notable rise of '40 Act fund AUM has increased the amount of capital to deploy. Combined with significant pools of capital being raised by traditional secondary investors for subset strategies and flagship funds, the demand for transactions has improved pricing across nearly all strategies.

The GP-led market experienced continued momentum and strength in the first half of the year. Over the last 12 months, overall GP-led deal volume (\$62 billion) nearly matched the all-time annual record of \$63 billion achieved in 2021. Most prominently, we witnessed a surge in deal activity in Europe, continued pricing strength and a relative mix-shift towards single-asset deals. Increasing investor confidence, on the back of fundraising success, and robust deal backlogs point towards elevated deal volumes in the second half of 2024 and beyond.

The LP portfolio market continues to exhibit accelerating volumes quarter on quarter over the past 18 months as pricing has improved and aggregate capital calls still exceed distributions for the majority of portfolio managers, driving demand for liquidity. Greater investor confidence in projected nearer-term monetization events has helped to drive some of the improvement in Buyout pricing. Notable improvements in appetite for Venture Capital and Growth Capital exposure as well as the consistent strong demand for Private Credit is reflective of the relatively large, dedicated pools of capital that have been raised for these strategies. The coming of age of the '40 Act funds where monthly capital inflows and AUM have significantly scaled recently has increased demand for diversified fund portfolios, fueling competition and thereby price. We expect an even stronger second half as limited partners actively manage their portfolios to take advantage of these improving trends.

Capital formation in the secondary market continues to grow at a steady pace. Following a record year in 2023 when 42 funds closed on an aggregate \$91.2 billion of capital⁴, there are several large secondary managers that are anticipated to hold final closings later this year. Several of the secondary managers that held large final closings in 2023 for their flagship vehicles should begin preparing to reenter the market later this year. Fundraising success for sub strategies (e.g., Private Credit, Infrastructure, and Venture Capital secondaries), and new market entrants are expected to ensure that the market will be better capitalized than at any point in history. Even if M&A and IPO markets improve with anticipated interest rate cuts, we expect sponsors and limited partners to continue to utilize the secondary market to actively manage their portfolios.

Our team at Lazard continues to be at the forefront of these trends and we intend to leverage our experience and knowledge of the marketplace to drive more favorable outcomes for our clients. We are expanding our team and presence globally, recently adding an office in Dubai to help cover our clients in that region more closely. We are ready to address your needs on the secondary market and are happy to discuss any questions you may have. Thank you for reading our report and we look forward to hearing from you.



Holcombe Green III

Global Head of Private Capital Advisory

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Source: *Lazard Estimates, Preqin Ltd.*

- 1 Based on invested capital (capital deployed by an individual investor into Single-Asset transactions).
- 2 Calculated as the sum of each investor's reported deal count.
- 3 Excluding the use of leverage.
- 4 Preqin Secondaries in 2024 report.



~\$71B

Estimated Aggregate Secondary Deal Volume in H1'24

~44%

Estimated GP-Led Market Share in H1'24

~47%

of Estimated GP-Led Volume in Single-Asset Continuation Funds in H1'24

~62%

Estimated Share of Single-Asset Deals that Priced at Par or Above¹ in H1'24

330+

Estimated LP-Led Transactions Completed in H1'24²

~80%

Percentage of Respondents Planning to Invest ≥\$250M into LP-led Deals for the Rest of the Year³

~59%

Percentage of Respondents Currently Raising for Flagship Fund

~\$150B

Expected Market Volume for 2024

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INTERIM SECONDARY MARKET REPORT 2024

I

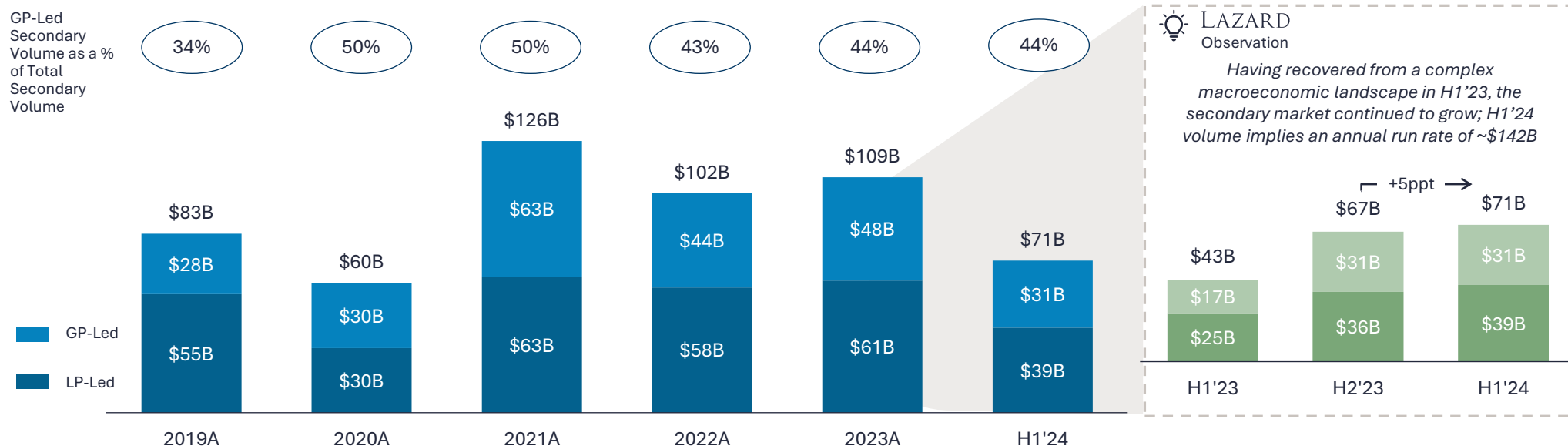
Secondary Market Overview



H1'24 Secondary Volume Increased by ~64% Compared to Same Period Last Year

The secondary market recorded impressive deal volume in H1'24, largely attributed to high-quality, concentrated GP-led transactions and diversified large LP portfolios that successfully closed

The Secondary Market Exhibited Strong Performance in H1'24 and is on Track to Achieve the Highest Completed Annual Deal Volume Ever



Key Market Themes / Drivers for H1'24

Sellside Themes (GPs & LPs)

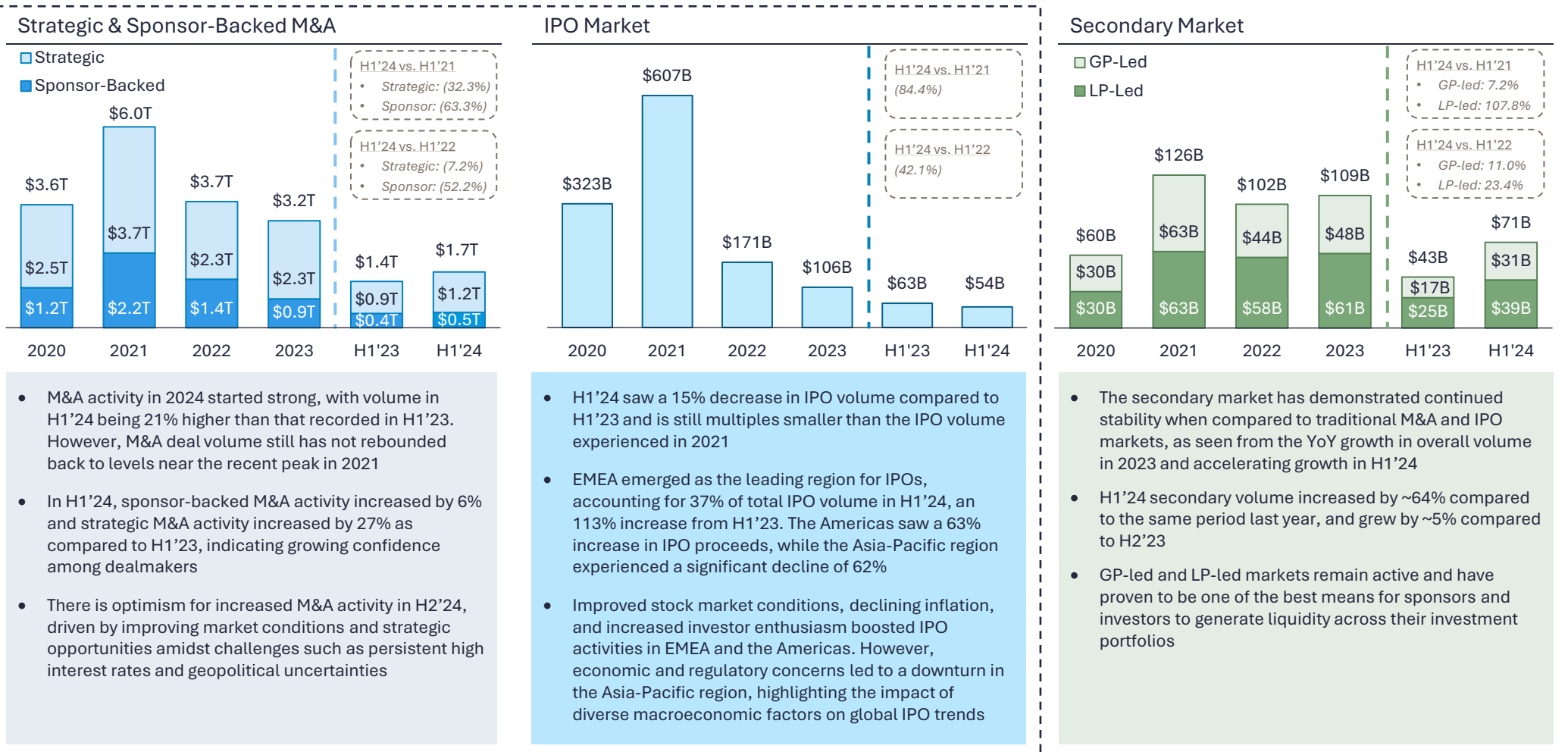
- Lagging Distribution Activity Fueling Sellside Activity in Both GP-Led and LP-Led Markets
- Uplift in Single-Asset Deal Flow and Stronger Pricing Across GP-Led Deals
- Emerging Successful Continuation Fund Monetization Events from 2018 – 2020 Vintage Investments

Buy-side Themes (Secondary Investors)

- Continued Pricing Improvements Due to Increasing Market Confidence, Emergence of '40 Act Funds and New Entrants
- Record Capital Formation and Increasing Specialization Amongst Sub-Strategies (e.g., Private Credit Infrastructure, Venture Capital)
- Increasing Optimism in Nearer-term Monetization Events and Somewhat Improved Environments for Exits

The Secondary Market Persists as a Proven Liquidity Solution for GPs and LPs

Despite some positive trends suggesting an increase in activity, the M&A and IPO markets generally remain suppressed, encouraging both sponsors and LPs to continue to utilize the secondary market for creative portfolio management and liquidity solutions



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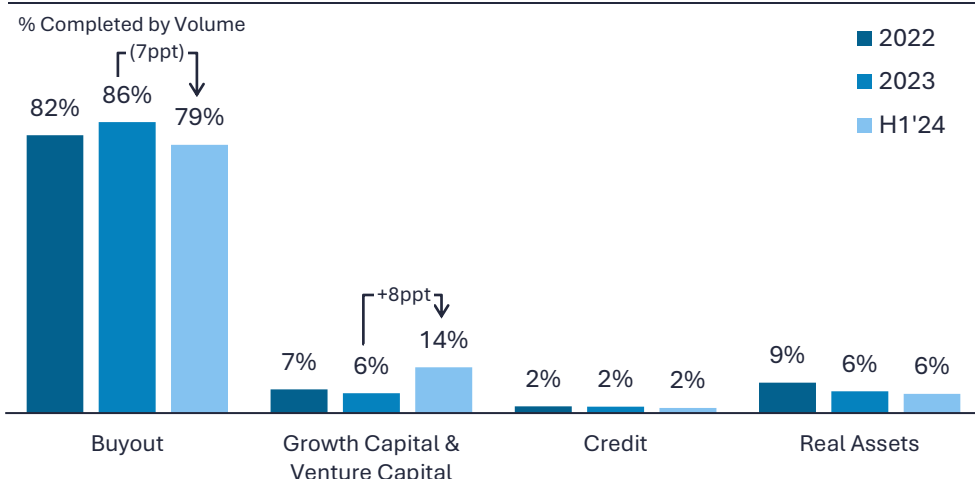
II

GP-Led Deep Dive

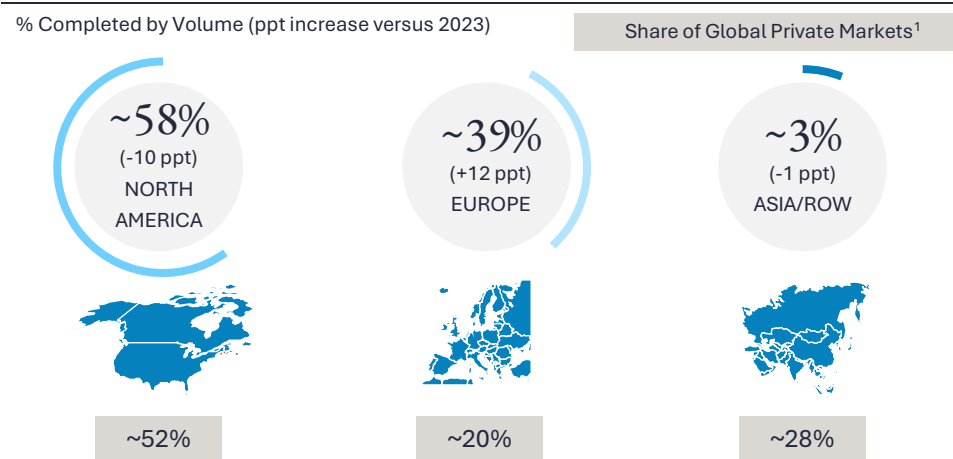
H1'24 GP-Led Market at a Glance

Buyout experienced a decline in market share as Growth Capital and Venture Capital experienced meaningful uptick; geographically, North America continued to lead the market in terms of deal volume, while Europe witnessed a significant recovery in H1'24 versus 2023

GP-Led Transactions Completed by Strategy



GP-Led Transactions Completed by Geography



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Observation

- Buyout remained the largest GP-led strategy in H1'24, but it lost seven points of market share compared to 2023, making up about 79% of the total GP-led market volume
- The relative strength of the Buyout strategy reflects the market's continued preference for control positions and mature assets with stable, resilient business models
- Although the percentage of capital deployed remained heavily weighted towards Buyout, deal flow and dollar volume grew significantly in Growth Capital and Venture Capital. We anticipate continued growth in Growth Capital and Venture Capital as the market matures and new sources of capital are raised

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Observation

- North America remained the largest market for GP-led transaction volume, with a share of ~58% but down 10 points compared to 2023 as Europe saw a resurgence
- European secondaries recovered significantly in H1'24 from a previous slowdown in 2023, representing nearly 40% of the overall market
- Asia/ROW transaction volume remained muted in H1'24 due to certain macroeconomic headwinds and geopolitical concerns; however, opportunities in Developed Asia continue to attract interest and we are observing green shoots and pockets of activity come out of Emerging Asia

Single-Asset Continuation Funds Continue to Price Strongly

Single-Asset pricing increased in H1'24 versus 2023 with a large majority of Single-Asset transactions (~90% of total) being priced at or above 90%^{1,2} and ~62% of transactions being completed at par or premium

Average Secondary Return Target for Single-Asset Continuation Funds³

NET MOIC TARGET

2.2x (2023) → 2.1x (H1'24)

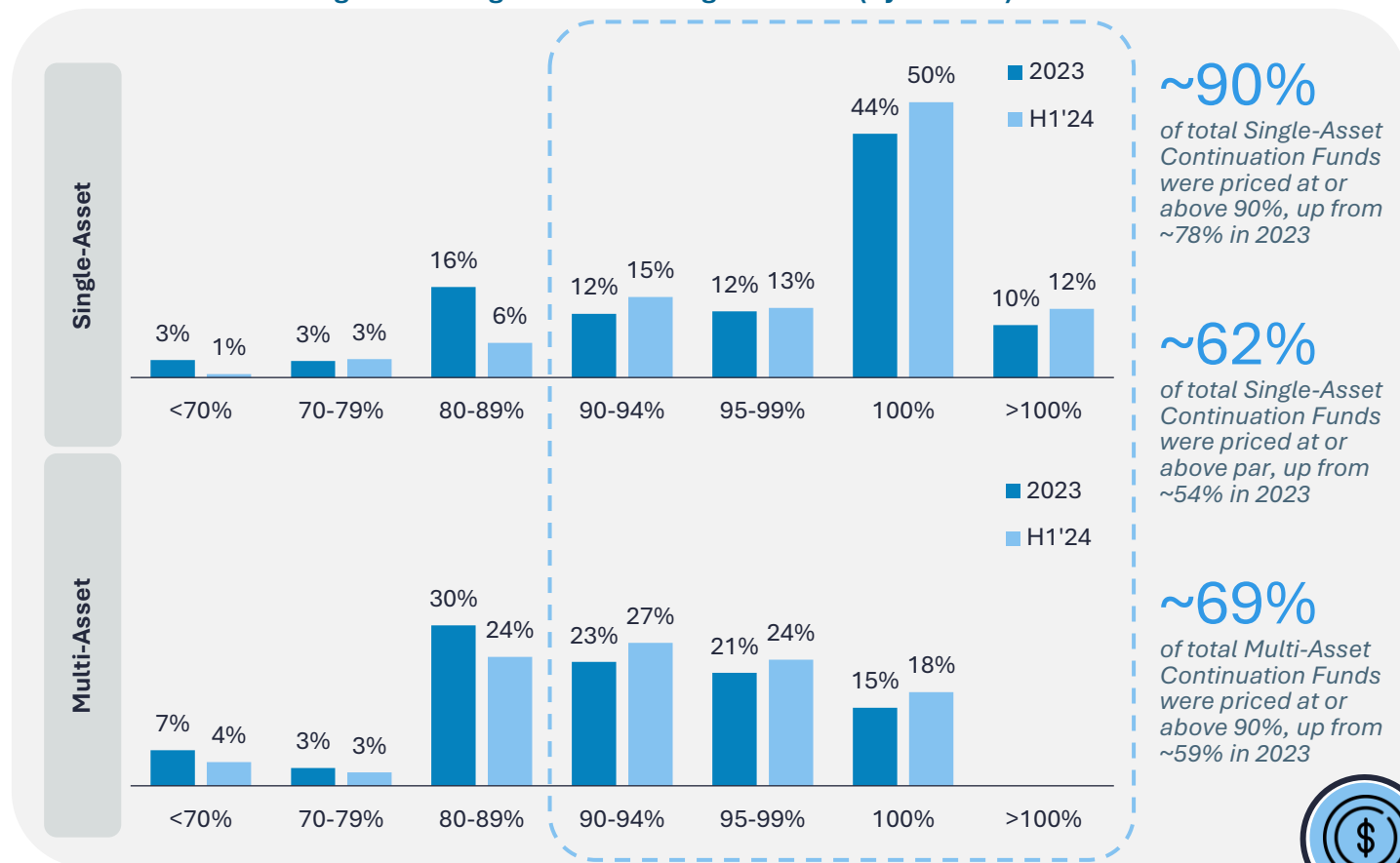
NET IRR TARGET

21.1% (2023) → 21.5% (H1'24)

The underwriting target for Single-Asset Continuation Funds has remained stable at ~2.1 – 2.2x Net MOIC and ~21% Net IRR as investors are highly focused on high-quality trophy assets



Weighted Average GP-Led Pricing Over Time (By Volume)^{1,2}



~90%
of total Single-Asset Continuation Funds were priced at or above 90%, up from ~78% in 2023

~62%
of total Single-Asset Continuation Funds were priced at or above par, up from ~54% in 2023

~69%
of total Multi-Asset Continuation Funds were priced at or above 90%, up from ~59% in 2023



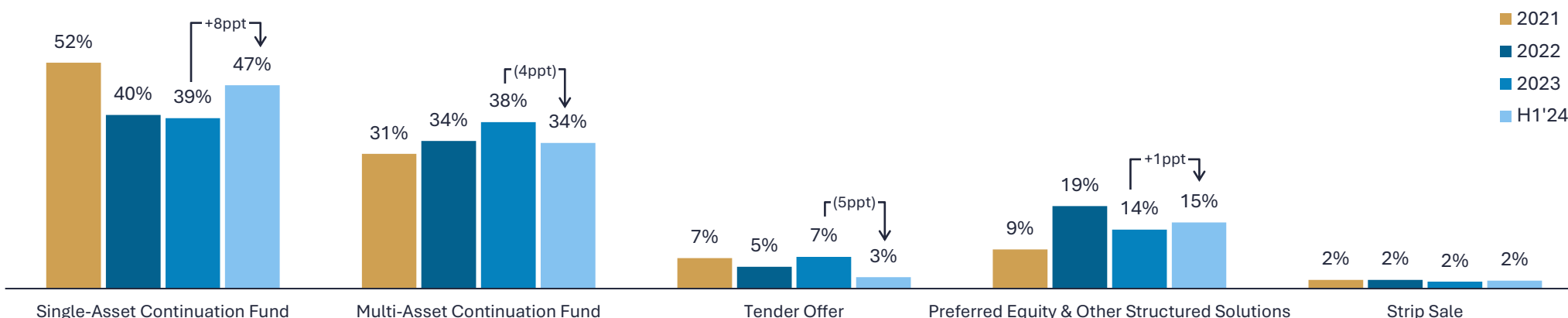
Source: Lazard Estimates.
 Note: Total figures may not add up as a result of rounding.
 1 Pricing percentage is expressed by reference to portfolio / asset NAV as of the reference date.
 2 Weighted average GP-led pricing is calculated using the volume of GP-led transactions completed by each respondent.
 3 Net of underlying GP economics.

Deployment by Transaction Type – Continuation Funds Continue to Dominate

Continuation Funds dominated the GP-led market at ~80% of total volume in H1'24. Single-Asset Continuation Funds remained the largest transaction type at ~47% of total volume, with Multi-Asset Continuation Funds following closely behind. Preferred Equity & Other Structured Solutions remain valuable options for sellers in an uncertain macro environment

Capital Deployment by Transaction Type

% Completed by Total Volume

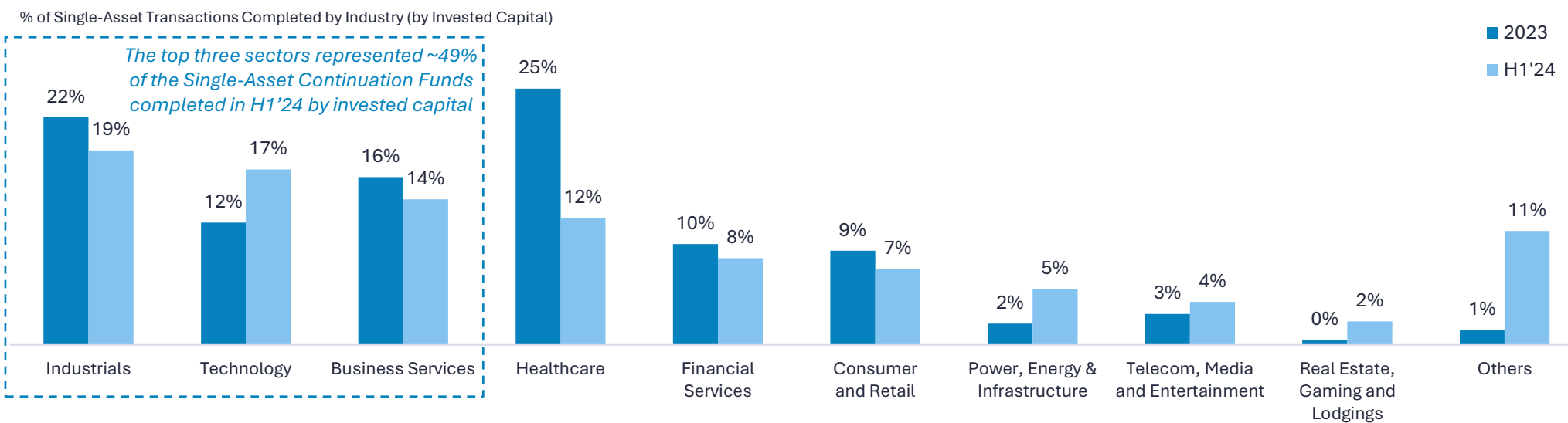


- Single-Asset Continuation Funds have historically been a favored structure for GPs and new investors. This trend persisted into H1'24 as we witnessed a modest mix-shift towards more Single-Asset deal flow. While Multi-Asset Continuation Funds experienced a four-point decline in market share, these deals remain an important segment of the market due to secondary investors' portfolio concentration limits and fund construction considerations
- Tender Offers have experienced a decrease in volume, dropping by five points compared to 2023. This decline reflects the market's evolving preferences and desire for execution certainty
- Preferred Equity & Other Structured Solutions have maintained stability in the market following a dip in 2023. Despite this previous downturn, H1'24 saw a stable relative percentage of total volume in structured solutions. Investors continue to seek innovative ways to introduce liquidity into their portfolios, favoring structured solutions that offer flexibility and risk mitigation

Deployment by Industry – Single-Asset Continuation Funds

Industrials, Technology and Business Services were the top three sectors by volume of Single-Asset Continuation Funds closed in H1'24

Investments in Single-Asset Continuation Funds by Industry

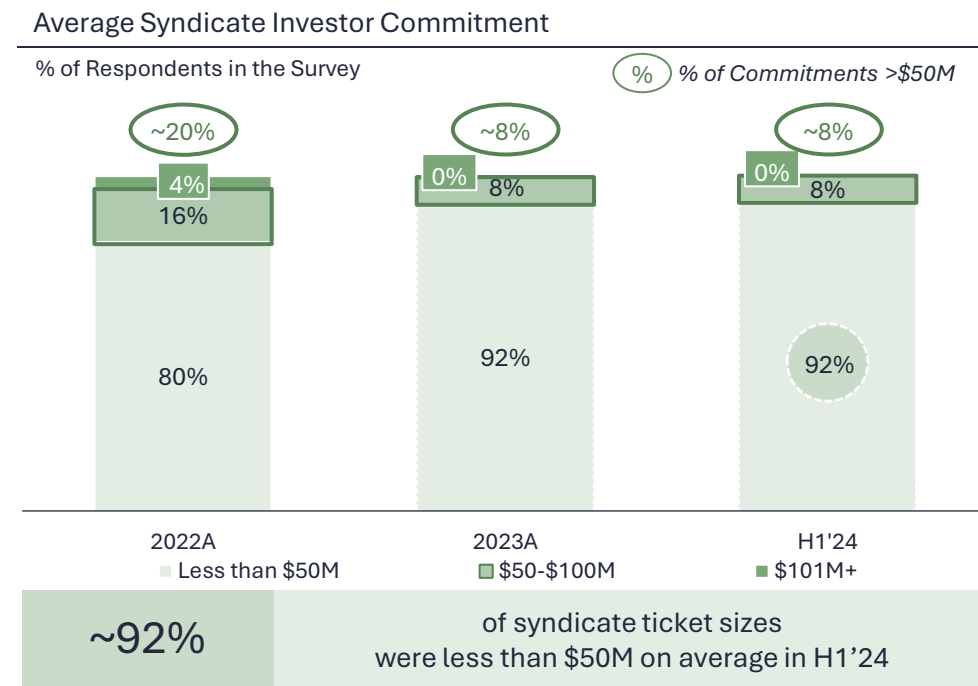
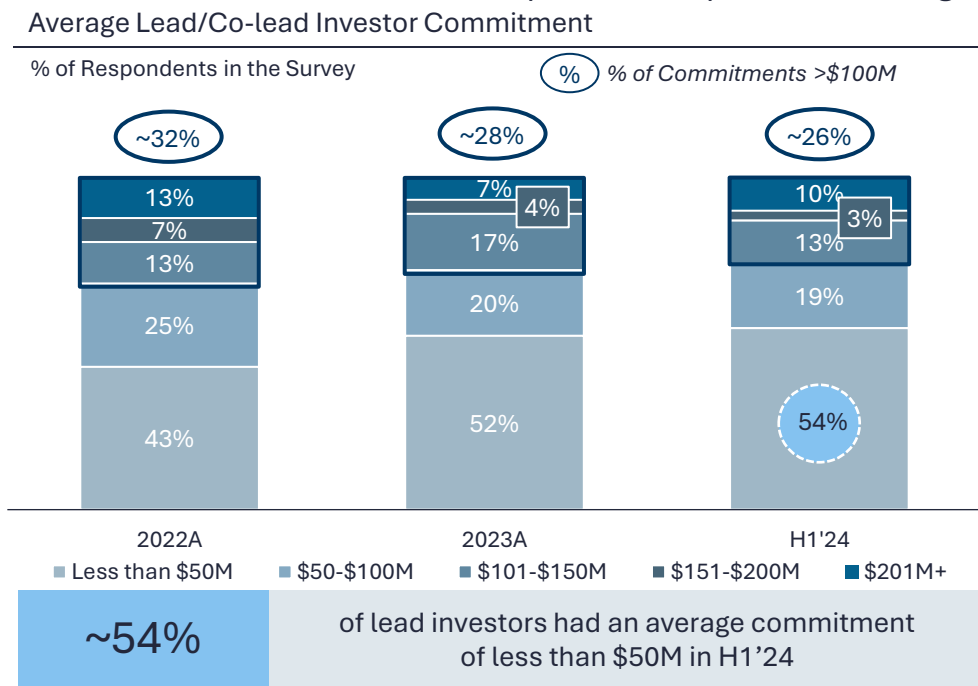


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Observation

- In H1'24, secondary investors maintained stringent criteria when evaluating Single-Asset Continuation Funds. The market has shown a distinct preference for assets characterized by resilience, profitability, and a proven track record of strong performance. Additionally, the visibility of near-term financial performance and the alignment between GPs and LPs played a crucial role in the success of these funds
- Industrials emerged as the most active sub-sector in H1'24. This investment activity can be credited to a mix of factors including the profitability and relative value of underlying businesses
- Technology and Business Services exhibited strength, representing ~17% and ~14% of the total Single-Asset Continuation Funds closed in H1'24, respectively. Investors were attracted to the growth potential of these sectors amid a dynamic economic landscape
- The Healthcare sector remained active, but these businesses encountered greater headwinds in the secondary market due to macroeconomic conditions, regulatory scrutiny, and cautious investment behavior

Deployment Trends – Average Lead/Co-lead and Syndicate Tickets Decreased in H1'24

Average Lead/Co-lead ticket sizes declined and remain lower than 2022 levels. However, the trend lines suggest a modest increase at the largest end of the range, with 10% of investors in H1'24 investing an average commitment of greater than \$200 million, up from 7% in 2023. Consistent with 2023, all respondents reported an average syndicate ticket size of less than \$100 million



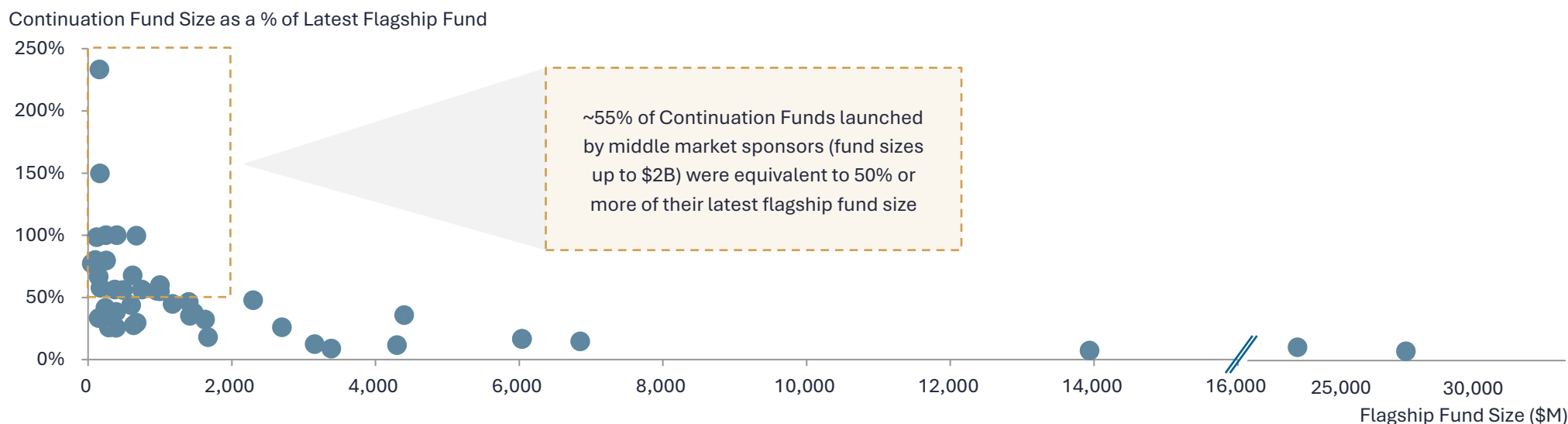
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Observation

- The overall trend of decreasing ticket sizes versus 2022 has persisted in H1'24. We attribute this to investors' efforts to manage Single-Asset and concentrated portfolio exposure, an increase in middle market opportunities and cautious fund deployment strategies. Furthermore, mid-sized secondary investors continue to favor leading or co-leading deals with a smaller ticket size
- However, we also saw greater investor activity at the top end of the market with more investors seeking to invest greater than \$200 million to deals in H1'24 versus 2023
- Syndicate ticket sizes remained consistent with 2023, with most investors committing small check sizes. This trend reflects investors' desire to diversify risk and maintain flexibility in their portfolios by spreading their commitments across multiple opportunities. Additionally, this may also be due to the emergence of 40 'Act fund deployment

Middle Market GPs are Utilizing Continuation Funds to Raise Capital for Top-Tier Assets

Middle market sponsors are increasingly turning to the secondary market as a portfolio management tool to help efficiently manage large NAV exposures, while also rapidly growing their AUM. Enhanced middle market deal flow continues to be well-received by the secondary market as more investors look to allocate capital to these opportunities

H1'24 Continuation Funds¹: Size as a % of the Sponsor's Latest Flagship Fund



- The Continuation Fund product has been particularly powerful in disrupting traditional exit routes for middle market sponsors, where ~55% of middle market sponsors (with fund sizes up to \$2B) who launched Continuation Funds in H1'24 looked to raise a Continuation Fund amounting to at least 50% of their latest flagship fund. Moreover, ~12% of these sponsors have raised or are seeking at least 100% of their latest flagship fund size through their Continuation Fund
- Historically, middle market sponsors would have looked to exit trophy assets to larger sponsors; the Continuation Fund technology has permitted middle market sponsors to create liquidity for their LPs and efficiently manage large NAV exposures in existing funds, while maintaining ownership / governance of their highest conviction assets and rapidly ramping up their total AUM
- These deals have generated significant interest from the market, as investors perceive these businesses to have the most runway for growth and future exit optionality

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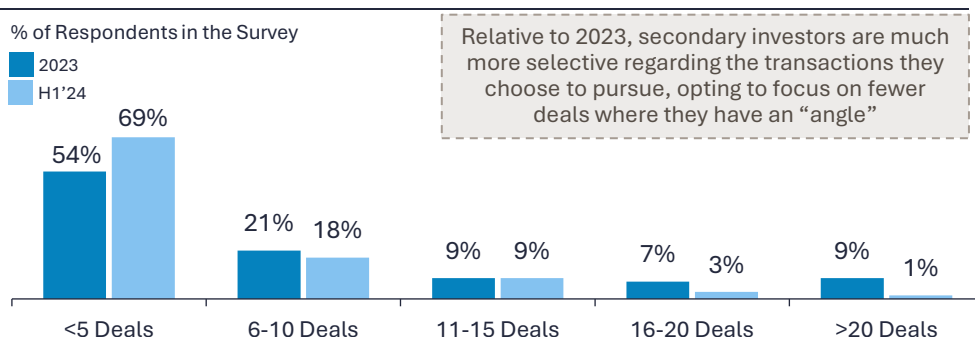
III

LP-Led Deep Dive

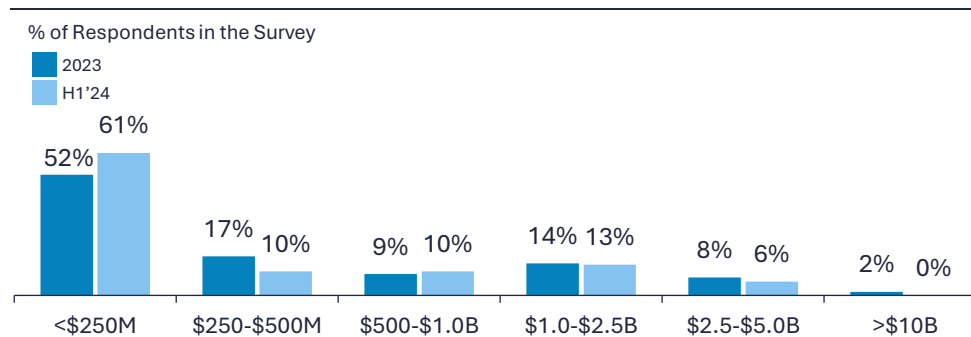
H1'24 LP-Led Market at a Glance

As a proportion of total estimated secondary market volume, LP-led transactions held constant at around 55-56% in both H2'23 and H1'24, despite receding from a relative high point of 65% in H2'22, as secondary buyers continue to remain focused on deploying into more diversified secondary opportunities

Number of LP-Led Transactions Completed by Investors



Volume of LP-Led Transactions Completed by Investors



The number of investors focusing on LP-led deals at the smallest end of the range ticked up notably, likely driven in part by the increasing AUM of '40 Act funds. As monthly inflows have increased, these vehicles need to deploy capital more rapidly than a traditional secondary fund, generally targeting smaller opportunities and subsets, with highly diversified exposures to funds with nearer-term or more regular cash flows

>330¹
~200 in H1'23

LP-led transactions closed in H1'24; ~64% increase when compared to H1'23 volume, implying a higher velocity of smaller deals relative to a year ago

7
8 in 2023

individual buyers together accounted for ~50% of LP-led market volume in H1'24, highlighting how the market continues to be bifurcated between a handful of investors focusing on large, complex transactions and a large number of investors selectively focusing on smaller, targeted deals

82%
80% in 2023

of respondents were able to close their respective transactions in under five months, roughly in-line with 2023, continuing to showcase the speed and efficiency of the market participants

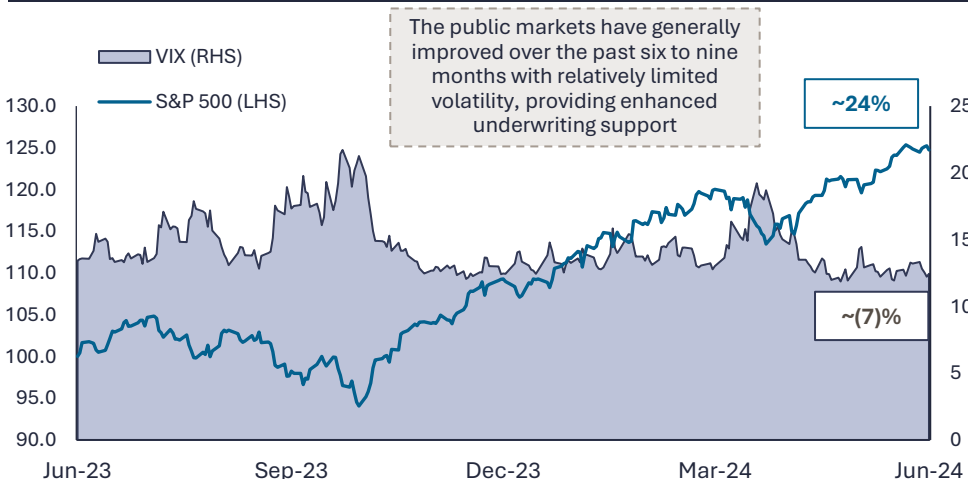
~80%
~67% in 2023

of total participants responded that they have \$250 million or more to invest from their latest fund into LP-led opportunities for the rest of the year, excluding the use of leverage, an increase from 2023. Notably, almost 30% of investors that responded have raised '40 Act funds or similar evergreen structures

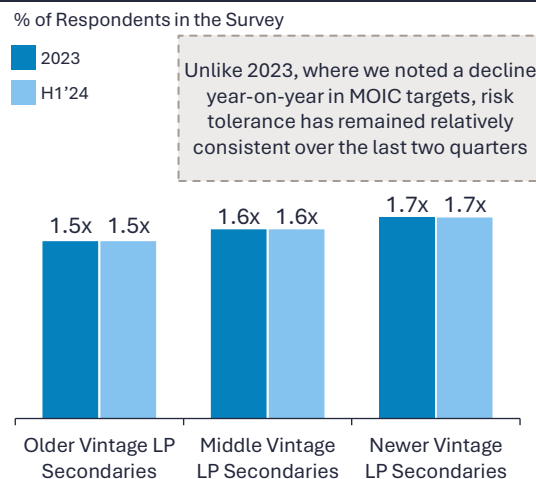
H1'24 LP-Led Deployment Snapshot

As we take a look at LP-led deployment volume through the year, we witnessed unprecedented first half growth from what we hypothesize is continued improving macroeconomic conditions and pressure to deploy large amounts of capital raised

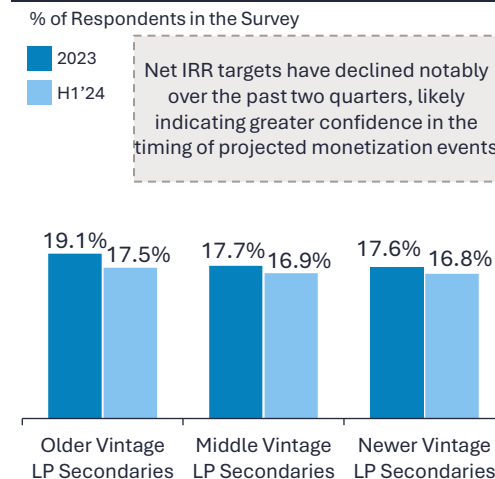
Stable S&P Growth Amidst Flat / Declining VIX Support Improved Sentiment



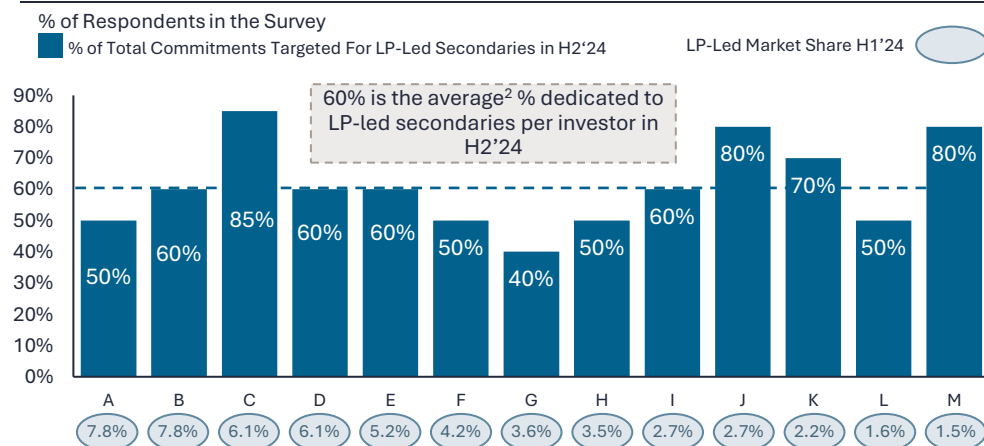
Underwriting Net MOIC¹ Targets



Underwriting Net IRR¹ Targets



% of Total Commitments Dedicated to LP-Led Secondaries for Rest of 2024 – Select Top Investors



LAZARD Observation

- As the overall outlook for markets continues to seem relatively stable, secondary investors are keen to keep deployment velocity at record levels
 - The largest number of LP-led transactions completed was 55 transactions by a single investor in H1'24; this same investor also led the market in completing 125 transactions last year
 - The average number of LP-led transactions completed by survey participants was five transactions in H1'24
- We expect the second half of the year to show even greater momentum given the record amount of capital raised by secondary investors and '40 Act funds coupled with the targeted deployment into LP-led secondary transactions

Source: FactSet, Lazard Estimates.
 1 Net of underlying GP economics (by number of respondents).
 2 Calculated as a weighted average of respondents.

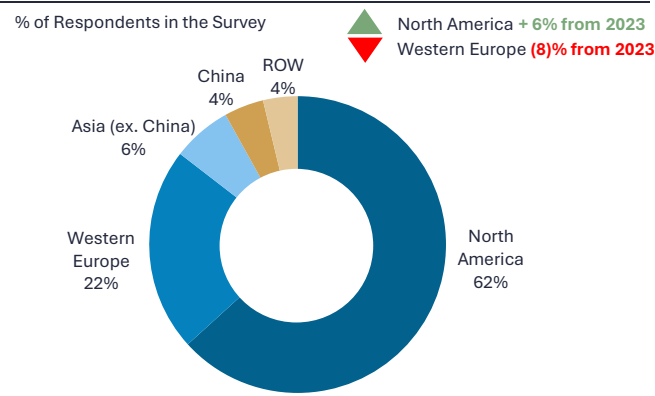
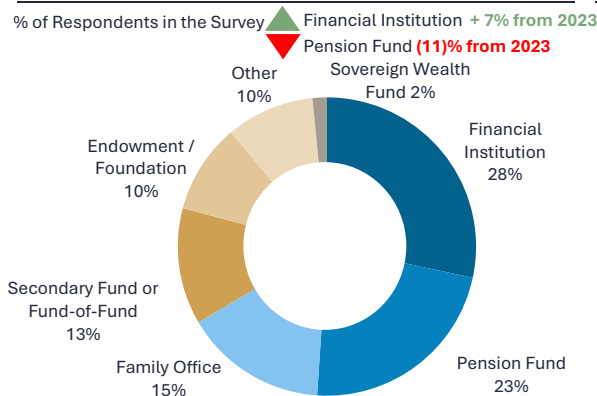
Most Sellers Sought Liquidity Across North American and Small / Middle Market Buyout

The majority of LP-led portfolios sold consisted of North America focused funds, where pricing continues to remain strongest. Small / middle market Buyout continues to be the most attractive strategy, with a notable decline in large / mega Buyout

% of LP-Led Deals Closed by Seller Type

% of LP-Led Deals Closed by Geographic Focus of Underlying Funds

% of LP-Led Deals Closed by Seller Rationale



% of Respondents in the Survey

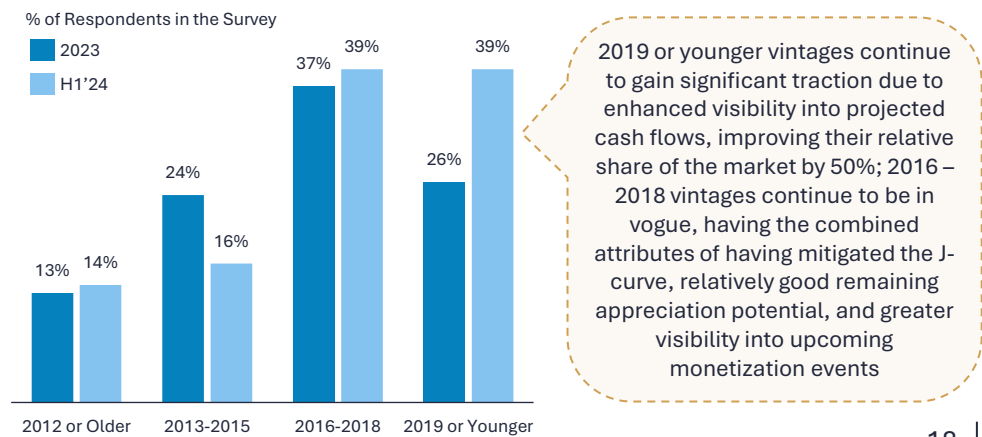
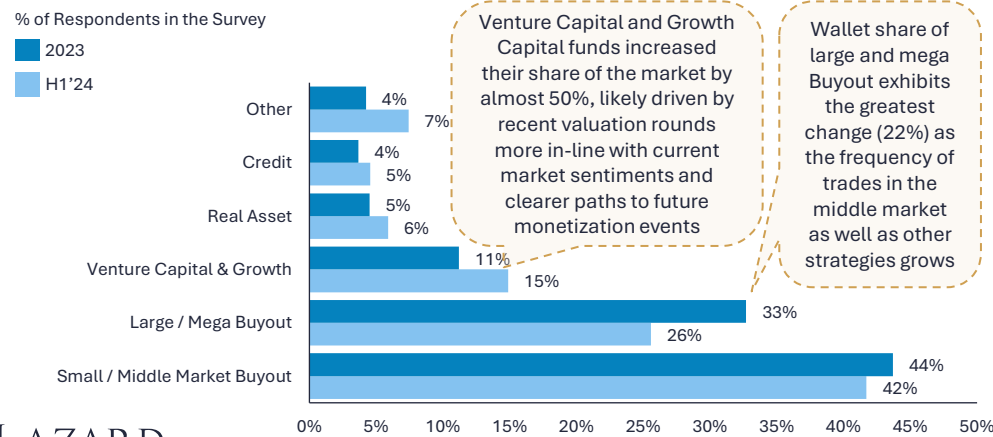
Sale Rationale	2023	H1 '24
Portfolio Management	38%	49%
Liquidity	44%	32%
Vehicle Wind Down	12%	12%
Regulatory / Legislation	4%	6%
Other	2%	2%
Total	100%	100%

~80% of sellers pursued a secondary market transaction for liquidity or portfolio management purposes, although the focus has shifted to portfolio management

Financial institution sales have grown relative to pension fund, overtaking the latter as the dominant seller type. This is likely driven by large managed fund transactions, which will likely continue to be a theme going into H2'24

% of LP-Led Deals Closed by Strategy

% of LP-Led Deals Closed by Vintage



LP-Led Pricing in H1'24 Exhibited Similar Positive Trends to 2023 With Various Nuances

Broadly speaking, average pricing across strategies is up ~1.5% from H2'23 to H1'24 with ~68% of respondents mentioning deals priced in the range of 80 – 95% of NAV, a ~50% increase in the number of respondents relative to H2'23

Pricing Across Various Strategies

Average Price Amongst Survey Respondents

Strategy	Estimated Average Pricing Ranges (H2'23)	Δ Change in Pricing	Estimated Average Pricing Ranges (H1'24)
Buyout	82.5% 92.5%	+ 1.5%	84.0% 94.0%
Growth Capital	70.0% 82.5%	+ 1.5%	71.5% 84.0%
Early-Stage Venture Capital	55.0% 65.0%	+ 2.5%	57.5% 67.5%
Late-Stage Venture Capital	57.5% 67.5%	+ 2.5%	60.0% 70.0%
Private Credit	80.0% 90.0%	+ 0.0%	80.0% 90.0%
Infrastructure	87.5% 92.5%	(2.5)%	85.0% 90.0%
Secondary / Fund of Funds	70.0% 77.5%	+ 1.0%	71.0% 78.5%



LAZARD Observation

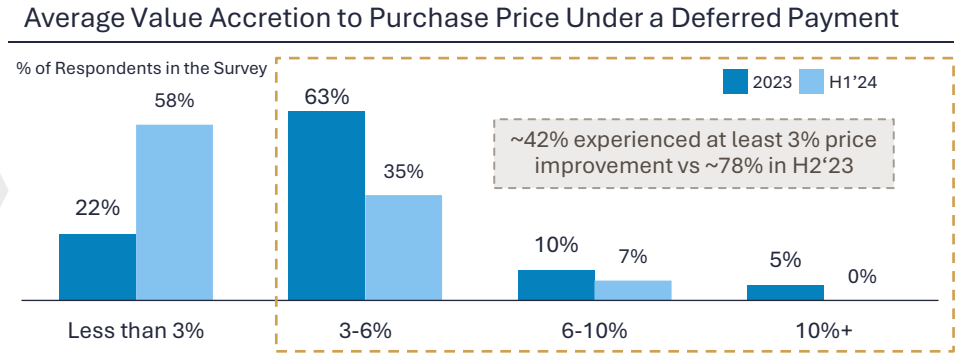
- Pricing for Buyout funds has the second highest percent change increase with upper ends of the range nearing 95%+ of NAV; there has been continued strong demand for this strategy in particular considering improving valuations and indications that the exit environment will continue to improve into 2025
- Significant pools of capital dedicated to the Private Credit secondary sector have been raised recently, increasing demand for volume. This trend, coupled with Private Credit AUM that has grown at a ~15% CAGR over a number of years, will continue to drive an increase in the volume of credit exposure that turns over on the secondary market. At the high end, certain 1st lien direct lending funds can trade in the low-90s
- While Infrastructure funds have lower correlation to the broader equity and debt markets as well as often offering a yield component, average pricing was brought down slightly relative to H2'23 given the mix of opportunities in the secondary market. Themes related to transportation, climate change, and artificial intelligence (“AI”) will continue to drive interest. Similar to Private Credit secondaries, significant dedicated capital has been raised for this strategy recently, which will increase deployment into this asset class
- Within Venture Capital, there has been a resurgence in pricing over the last six months primarily demonstrated by large valuation multiples and deal sizes in AI, generally improving tech multiples, and recent valuation rounds in-line with current market expectations, down from the peak points in 2021. This asset class along with Growth Capital remains more challenged from a pricing perspective given a greater relative uncertainty for exit opportunities and high standard deviation of returns. Themes that demonstrate solid cash flows and a path to profitability will receive attention. Certain first-quartile funds managed by top-tier sponsors can price in the mid-80s

Continued Buyside Use of Deferred Payments with New Trends

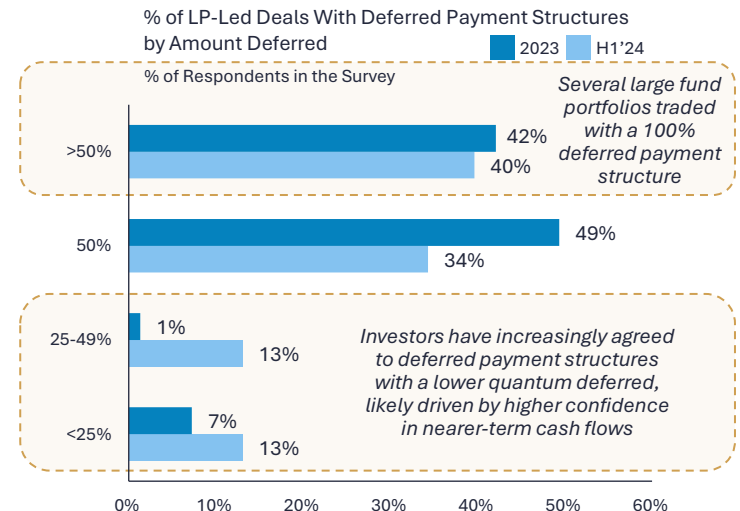
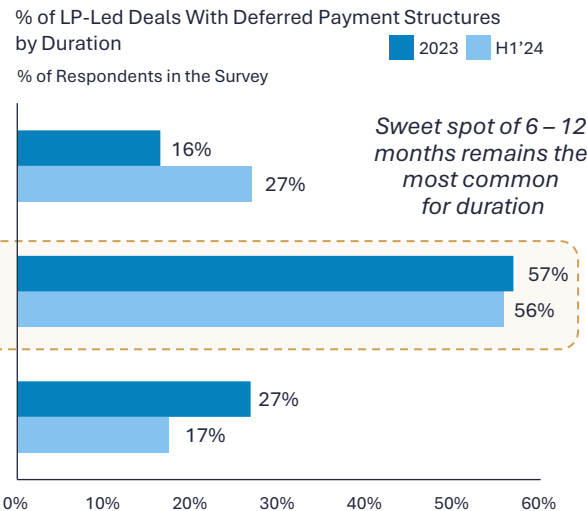
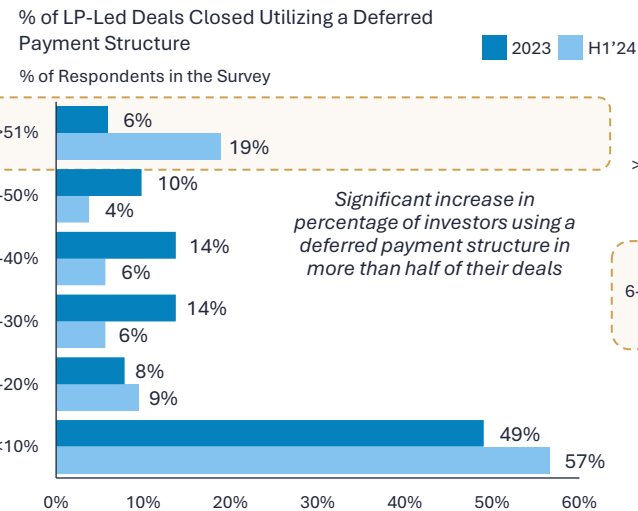
Deferred payment structures continue to prove effective at bridging pricing gaps between buyer pricing (upfront cash) and seller expectations. H1'24 saw an increased number of secondary buyers continuing to use deferred payment structures in LP-led transactions

Deferred Payments Rationale

- Deferred payment structures are fully customizable; the amount deferred, time horizon and repayment intervals can vary
- The seller can give buyers the option to include a deferred purchase price as well as an all-cash offer so that the seller can understand the pricing impact of accepting a deferred structure
- There are numerous ways to mitigate credit risk include (i) taking a lien on future distributions or unfunded of buyers' vehicle, and, if necessary, (ii) taking parental guarantee in the event of a default
- Over time, deferred payments have proven to be accretive to secondary investor returns, although given trends in duration and quantum deferred the value accretion to price has been slightly less impactful in the current higher interest rate environment



Key Statistics Detailing the Use of Deferred Payments in LP-Led Deals



Deferred structures remain widespread in the LP-led market, characterized by a continued sweet spot of 6 – 12 months duration. However, the quantum of the deferred purchase price has decreased due to the higher interest rate environment; some sellers have tended to be less receptive of accepting larger deferred payments in this market. Both buyers and sellers are keen to execute transactions, with each willing to make concessions on the size or duration of the deferral

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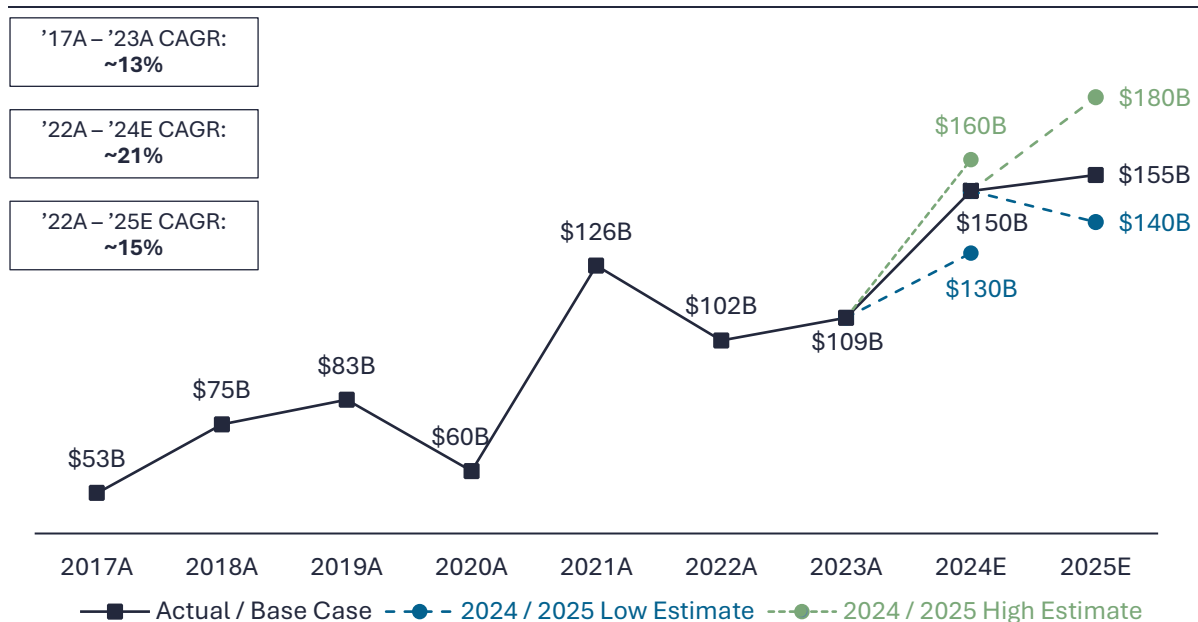
IV

Outlook & Predictions

Outlook for the Secondary Market in 2024 and 2025

H1'24 saw impressive deal volume, setting the stage for a potential record-breaking year, with high market optimism for continued GP-led and LP-led deal activity throughout the rest of 2024

2024 / 2025 Outlook for Secondary Market Volumes



'17A – '23A CAGR: ~13%

'22A – '24E CAGR: ~21%

'22A – '25E CAGR: ~15%

- The secondary market had a strong start in H1'24 and is anticipated to surpass its 2023 performance, with continued growth expected in the forthcoming years
- A surge in GP-led and LP-led deals is forecasted to persist in H2'24, propelled by the emergence of new capital sources, including specialist investors and increasing '40 Act funds AUM
- Despite an anticipated increase in M&A and IPO activities, secondary deal volume is expected to remain robust going forward given GP's and LP's increasing predisposition to actively manage their portfolios

Key Opportunities and Challenges for the Next 12 Months

Top 3 Opportunities (by % of Respondents)

- 75% Increased deal volume anticipated in both the GP and LP-led markets rooted in more dry powder, motivated sellers and higher pricing
- 28% Anticipated narrowing of the bid-ask spread driven by increased market confidence, the emergence of '40 Act funds and new entrants
- 11% Expectations that the macro-economic outlook will improve

Top 3 Challenges (by % of Respondents)





















- 72% Introduction of new '40 Act funds and increased competition have raised concerns around pricing expectations
- 36% Mounting concerns from high interest rates, market volatility, fear of a global slowdown and uncertainty from the forthcoming US election
- 11% Investors expressed concerns regarding the potential for inorganic growth due to the limited M&A activities in the market

Six Predictions for the Secondary Market in H2'24

- 1** Record-breaking market volume in FY 2024 given strong H1'24 performance
- 2** Accelerating GP-led transaction volume in H2'24 driven by demand for Continuation Funds, particularly for Single-Asset transactions
- 3** Bid-ask spreads will continue to narrow as buy-side appetite grows and new entrants ramp up deployment pace, assuming recession risk recedes
- 4** Increased breadth of LP-led transactions involving traditional funds, secondary funds, co-investment portfolios and management fund opportunities
- 5** More traditional sponsors to expand their strategies to include GP-led teams, with a focus on Single-Asset Continuation Funds
- 6** '40 Act funds will put significant upward pressure on certain fund portfolios given increasing monthly inflows and the need to rapidly deploy that capital

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