

3 P'S OF DISTRIBUTION MANAGEMENT

Inception date: January 1, 2002

Platform

- Our group was born within a leading private equity limited partner and also has J.P. Morgan's vast resources at our disposal

Philosophy

- Given our position within a limited partner we have a philosophy suited to private equity investors needs. We seek to breakeven or better on the sale of distributed securities in a timely manner across a market cycle

Process

- Designed to sell: maximize gains, minimize losses, in a short amount of time

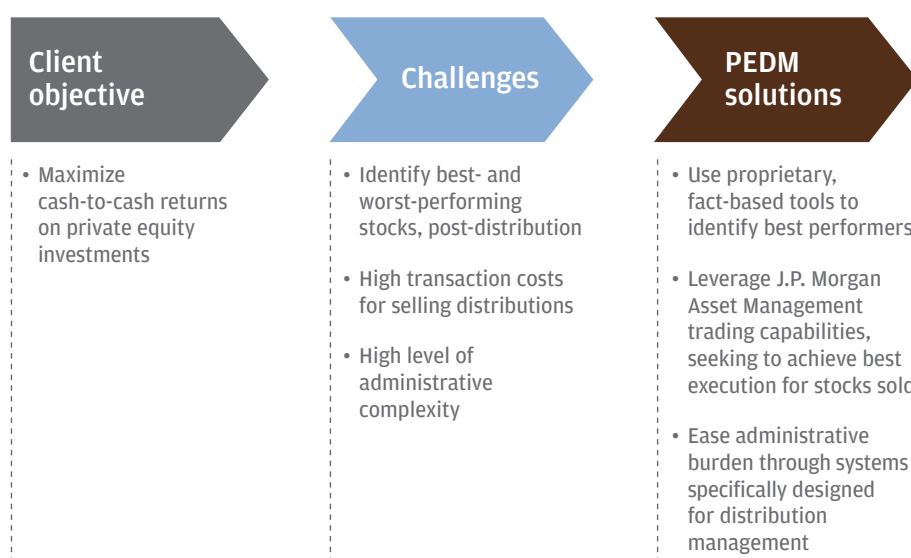
Objective

The Private Equity Distribution Management (PEDM) program is designed to manage private equity distributions to help maximize cash-to-cash returns on private equity investments. Specifically, we seek to complete the private equity cycle with the objective of: 1) maximizing returns on the sale of distributed securities, relative to distribution price, 2) returning capital to investors as quickly as possible to maximize reinvestment opportunities.¹

Any successful distribution management program has to have a strong platform, philosophy and process and we believe we have best of breed in all three categories. Our group was born within an LP which gives us complete alignment of interest with our clients and our group also enjoys the vast resources of J.P. Morgan. As a result, our philosophy was designed with an LP in mind and our process seeks to maximize gains and minimize losses in a timely manner.¹

Distribution management process

The management of private equity distributions—typically, shares of companies held by private equity funds which are distributed to limited partners after those companies go public—can have a substantial impact on returns realized from private equity investments.



¹ The manager seeks to achieve the stated objectives. There can be no guarantee the objectives will be met.

Private Equity Distribution Management

Managing private equity distributions

The objective of the PEDM program is to manage private equity distributions to help maximize cash-to-cash returns on private equity investments. Specifically, our process seeks to:

- Maximize returns on the sale of distributed securities, relative to distribution price
- Return capital to investors quickly to maximize reinvestment opportunities

When a distribution occurs, our portfolio team applies carefully constructed, industry-specific checklists of quantitative and qualitative criteria to arrive quickly at a sell or hold decision.

These proprietary checklists were developed through extensive research and rigorous back-testing, and reflect our belief that companies that have delivered on stated goals, milestones and earnings in the past are more likely to be strong performers in the future. The criteria employed attempt to capture fundamental financial strength, forward momentum and competitive positioning as well as product and management quality. The analysis uses only historical and fact-based data, not forecasts or subjective assessments. Each factor receives a yes/no response. Only companies scoring above a predetermined threshold are rated “hold”.

Once a sell decision is made, our trading capabilities are leveraged to sell as close to the distribution price as possible and to achieve best execution. In the case of a decision to hold, distributions are carefully monitored on an ongoing basis

by our experienced distribution management team—supported by our industry research analysts—and sold if there is a change in fundamentals.

Finally, our back-office capabilities enable reconciliation across multiple distribution agents and custodians for a given client account. This operational capability addresses many of the administrative complexities faced by investors when they receive distributions.

The PEDM Team focuses exclusively on managing private equity distributions, with the objective of enhancing private equity returns.

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* As of March 31, 2011

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