

Bespoke liquidity solutions or GP-led Secondary deals, another key target area for the Fund, are an evolving and growing segment of the market. Today they represent just under 25%¹² of the market and include spin-in/spin-outs, tail-end funds (i.e., funds raised at least 10 years ago) restructuring, asset liquidations, and LP tenders.

Distinctive investment strategy

The Manager intends to replicate the consistent, distinctive investment strategy¹³ pursued by the SOF Team (while at Deutsche Asset Management¹⁴) in each of the SOF Funds. This strategy is built around five main pillars:

- A focus on less competitive transactions such as smaller US\$5-100 million Fund Secondaries, US\$100-250 million GP-led Secondaries and larger, more complex deals where the Glendower SOF Team has an angle. As of September 30, 2017, the SOF Funds had completed 82 transactions with an average deal size of US\$40 million.
- Pursuing a selective, true value approach through bottom-up, in-depth fundamental analysis rather than deal structuring / leveraging. Positioned as a mid-sized alpha value investor vs larger levered beta players, the SOF Team has screened approximately 3,000 potential deals since 2007 valued at around US\$400 billion in the aggregate and have transacted around 1% of this deal-flow by value.
- Buying margin of safety and mitigating blind pool risk by purchasing mature fund interests at a discount to FMV. The SOF Team has historically purchased at an average 20% discount to FMV over 350 fund interests which were around 80% funded and typically past their investment period at the time of purchase.¹⁵
- Pursuing an efficient portfolio management approach. The SOF Team has historically (i) not utilized leverage at transaction level and limited at portfolio level, (ii) systematically implemented currency hedging to mitigate 50 to 60% of market volatility, (iii) consistently diversified the SOF portfolios across a maximum of 30 to 40 transactions to mitigate over 90% of non-market deal risk.
- Pursuing a portfolio construction according to a barbell approach adjusted to market cycles. Since inception, the SOF Team has completed around 58% of its transactions in Fund Secondaries and 42% in GP-led Secondaries and Single Asset Deals¹⁶ adjusting to focus on the former during market corrections and on the latter during normalized market conditions.

It is expected that the Fund will opportunistically pursue transactions in a broad range of private equity fund investments (including funds of funds, feeder funds and other similar structures), portfolios of direct private equity assets, and co-investments in individual assets alongside private equity sponsors where the Glendower SOF Team has an angle. More specifically:

- Informational advantage, by leveraging the Glendower SOF Team's relationships with over 180 Fund Sponsors¹⁷ and its investments in more than 350 fund interests worldwide.¹⁸
- Relationship with sellers, by working directly with sellers to address their objectives, which often include non-monetary factors such as confidentiality, speed of transaction, and certainty of execution.
- Opportunity to solve for complexity, by leveraging the Glendower SOF Team's transactional expertise to structure more complex transactions at a smaller size than other larger secondary funds.

¹² Source: Glendower Capital based on Greenhill Secondary Market Trends & Outlook, January 2018.

¹³ 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.

¹⁴ Prospective investors should note that while at Deutsche Asset Management, the SOF Team were able to make use of platform personnel and resources in connection with the SOF Program that will not be available to the Glendower SOF Team in connection with the management and operation of SOF IV.

¹⁵ Source: Glendower Capital's proprietary information.

¹⁶ Represents % of aggregate invested capital in the SOF Funds as of September 30, 2017. Past portfolio construction of the SOF Funds is not a prediction of the Fund's portfolio construction.

¹⁷ Source: Glendower Capital's proprietary information.

¹⁸ Source: Glendower Capital's proprietary information.