



**The Funds-of-Funds Perspective
On
Current Market Conditions**



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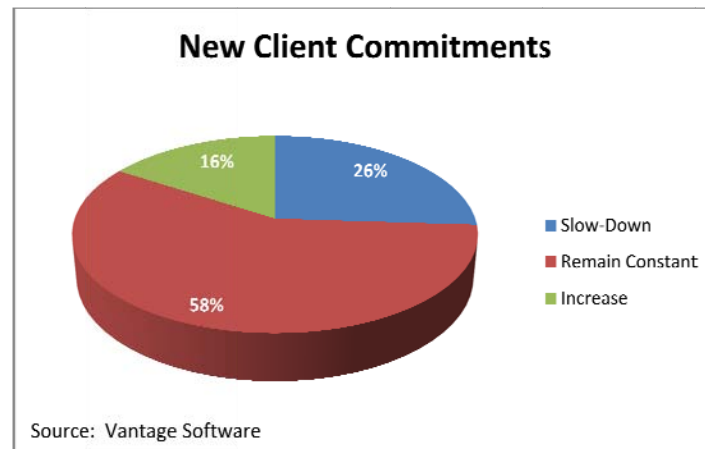
Investor Commitments and Defaults

1. Question:

To what extent have Funds-of-Funds faced the issue of investor defaults or reduced commitments? Do you expect this to be a problem in the future?

2. Responses:

- All clients polled said they have no investors at risk of default.
- Firms reported that while all their investors will maintain or increase their target allocation to Private Equity in 2009, 26% of their investors have requested a “slow-down” or dollar reduction in new commitments. However, 16% of investors have increased their commitment dollars.
- Secondary Funds are seeing LP departure opportunities increase from a typical 3% rate of departure to closer to 10%, i.e., three times the normal number of LPs exiting funds.
- Most departures are coming from endowments and high net-worth investors; few are from institutional investors.



3. Anecdotal Client Perspective:

“Discounts on secondary LP investments are over 50% in some cases due to low portfolio valuations and the excess supply of LP interests available for sale.”

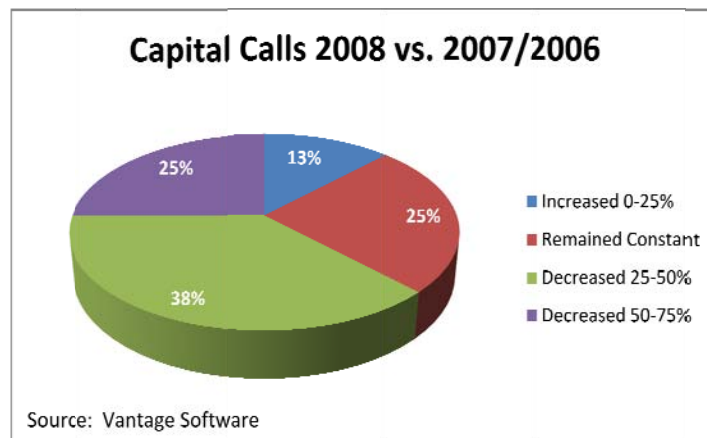
Investor Contributions

1. **Question:**

What was the level of capital calls in 2008? What level is anticipated for 2009?

2. **Responses:**

- On average, capital calls were down 28% in 2008 compared to prior years.
- 2009 contributions are projected to be flat or higher.



3. **Anecdotal Client Perspective:**

"Funds with a significant over-commitment strategy may face some serious challenges funding capital calls given the absence of recycled distributions."

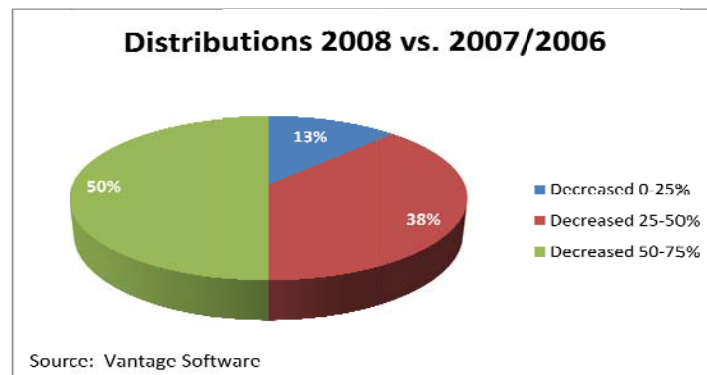
Investor Distributions

1. **Question:**

What was the level of distributions back to Fund-of-Funds in 2008 relative to 2006 and 2007? What level is anticipated for 2009?

2. **Responses:**

- On average, distributions were down 47% in 2008 compared to prior years.
- 2009 contributions are projected to drop to a negligible level.



3. **Anecdotal Client Perspective:**

"Distributions are projected to drop precipitously in 2009."