



Alternative Investments: Building a Better Diversification Strategy

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Pomona Capital Overview

- Pomona Capital is an investment firm managing \$6 billion on behalf of 185 global investors with offices in New York, London and Hong Kong. Founded in 1994, Pomona Capital focuses exclusively on **private equity**
- Pomona has three business areas;
 - **Secondaries** – We act as principal in buying portfolios of private equity funds and companies
 - **Co-investment** – We invest alongside leading private equity managers directly into companies
 - **Primaries** – We invest directly into leading private equity fund managers across the globe
- Pomona Capital maintains **relationships** with over 500 General Partners and has successfully completed sizeable, complex, international transactions with investors
- Pomona Capital has a highly **experienced team** and a proven track record

New York
London
Hong Kong
Global Platform

Over \$6 billion
Principal Investors

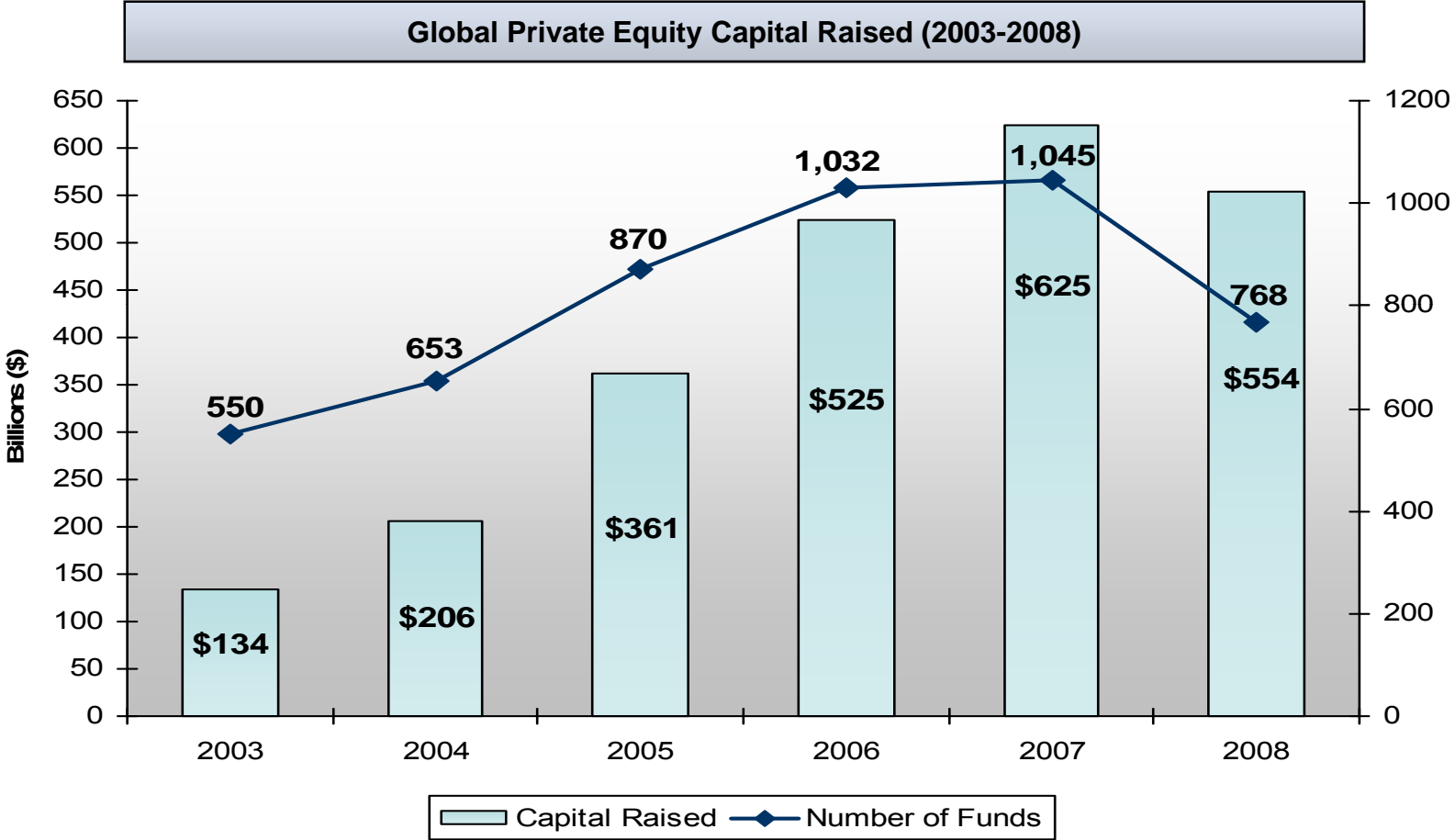


Portfolio Acquisitions
500 GP Relationships

Secondaries
Primaries
Co-investment
Exclusively Private Equity

A Global Private Equity Business

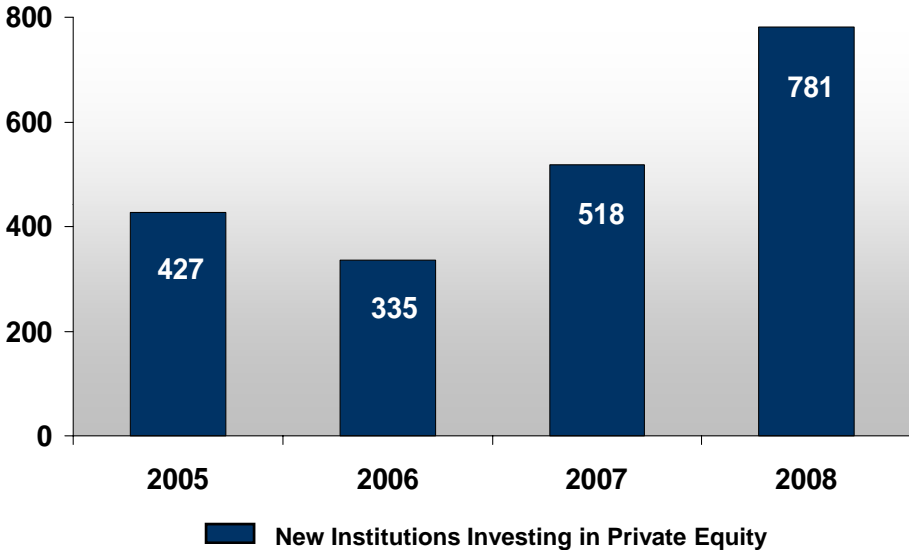
Private Equity: A Large and Established Asset Class



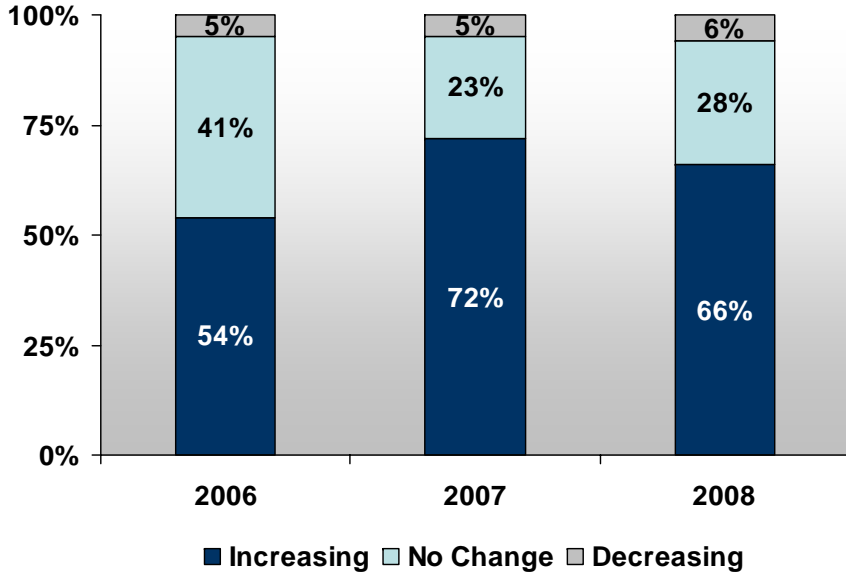
Increasing Commitments to Private Equity

Maturation of Private Equity Asset Class

Global New Programs Started (2005-2008)



Global LPs Increasing Allocation Targets (2006-2008)

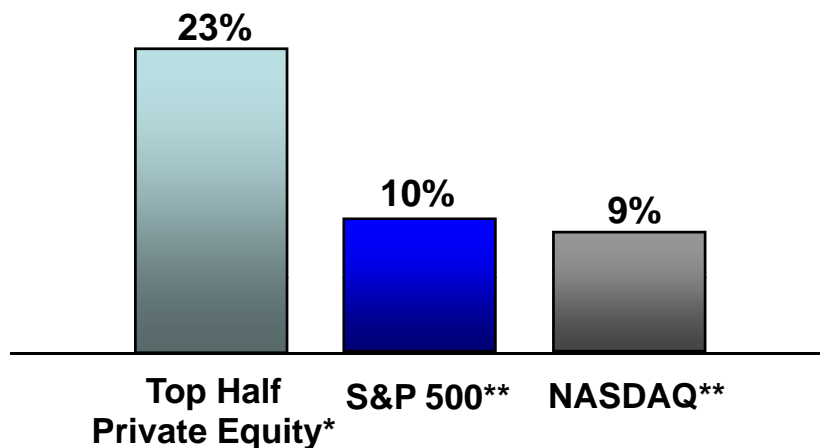


- Institutions shifting from public debt and equities focus to a broader mix of assets
- Vital component of a truly diversified portfolio
- Transitioning from a niche role to a fundamental source of alpha

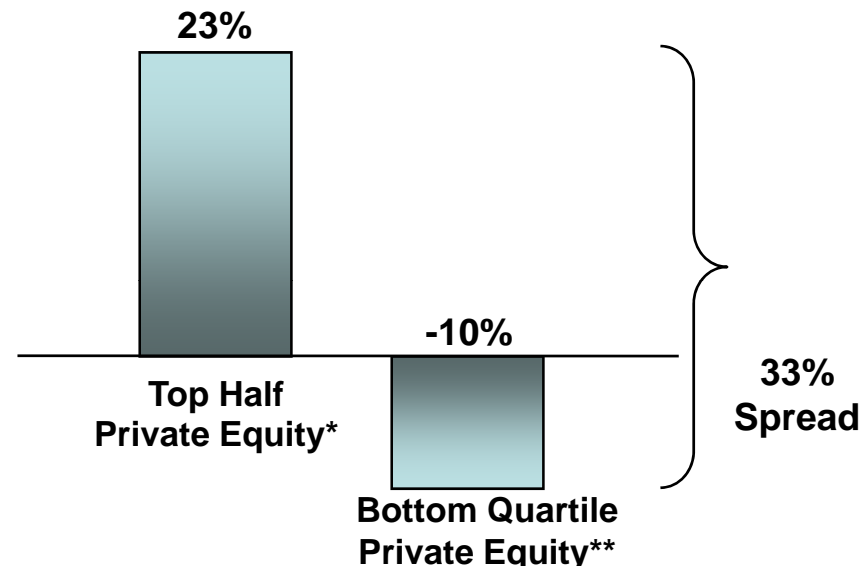
Broader Participation, Larger Allocations to Private Equity

Differentiated Returns are Driven by Access

20-Year Returns



20-Year Dispersion of Returns



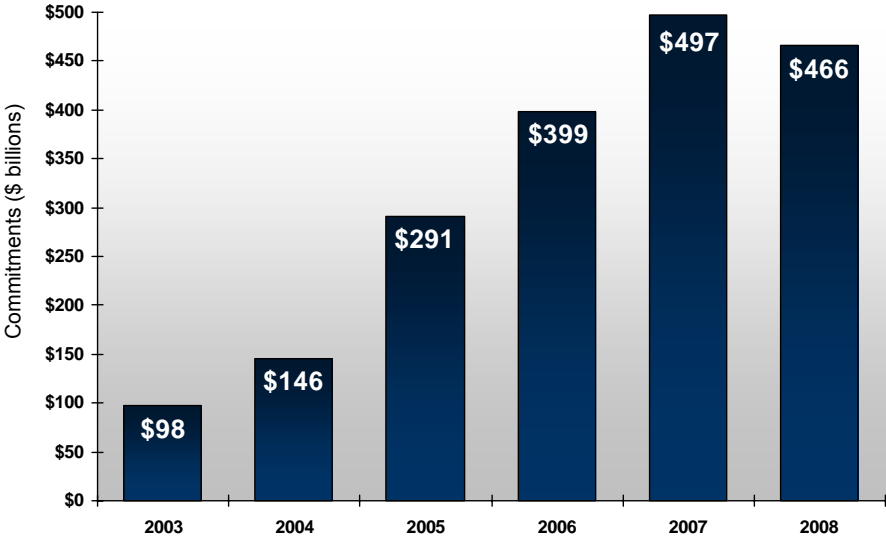
- Long term, private nature of investments has historically resulted in a **less volatile** vehicle.
- Private Equity managers have a **greater degree of control** and influence over investments than public market investors.
- Ultimate **value is tied to company fundamentals** rather than market sentiment.

- The first hurdle to quality portfolio development today is **identification** of the best managers.
- The second hurdle is **access**, as a multitude of the best funds are not open to new investors.
- The last hurdle is creating a **diversified portfolio** of private equity funds, differentiated in focus, size, and approach.

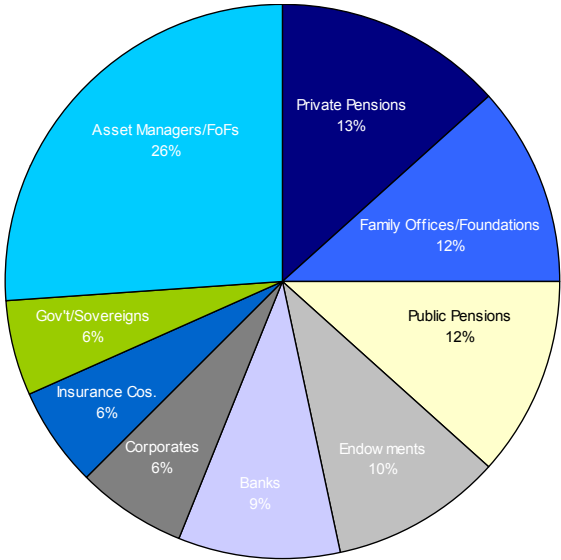
PE Meaningfully Outperforms Over Time...but Manager Selection is Key

Commitments and LBO Activity

LP Commitments (2003-2009)



Investors in PE (2008)



Continued Broad Commitment to the Asset Class

The Secondary Market: An Area of Opportunity

Secondary Market: The purchase of limited partnership interests in high quality private equity funds or companies from investors who seek liquidity prior to the term of the partnership.

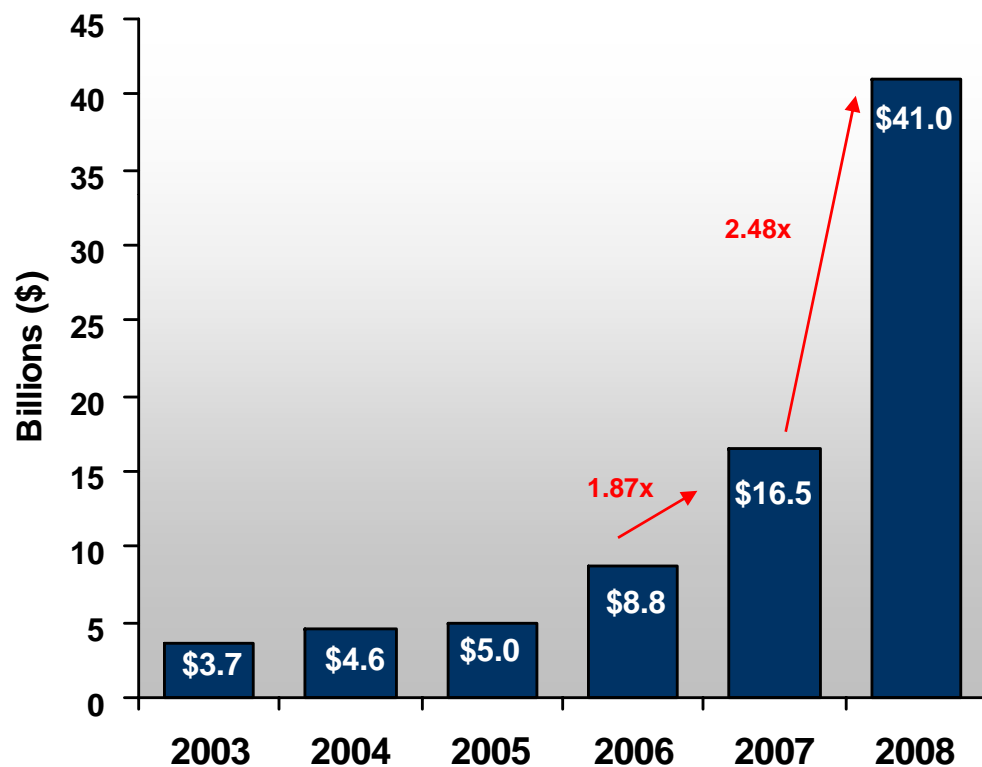
Attributes of Secondary Investing

- Not purchasing a blind pool
 - Allows for company by company analysis
- Attractive pricing
 - Discount to fair market value
- Shortened holding period
- Earlier and more regular distributions
- Immediate diversification by vintage year, company, geography, industry and economic cycles
- Backward looking access to prior vintages

Higher Risk Adjusted Returns; Mitigation of J-curve

Secondary Deal Flow

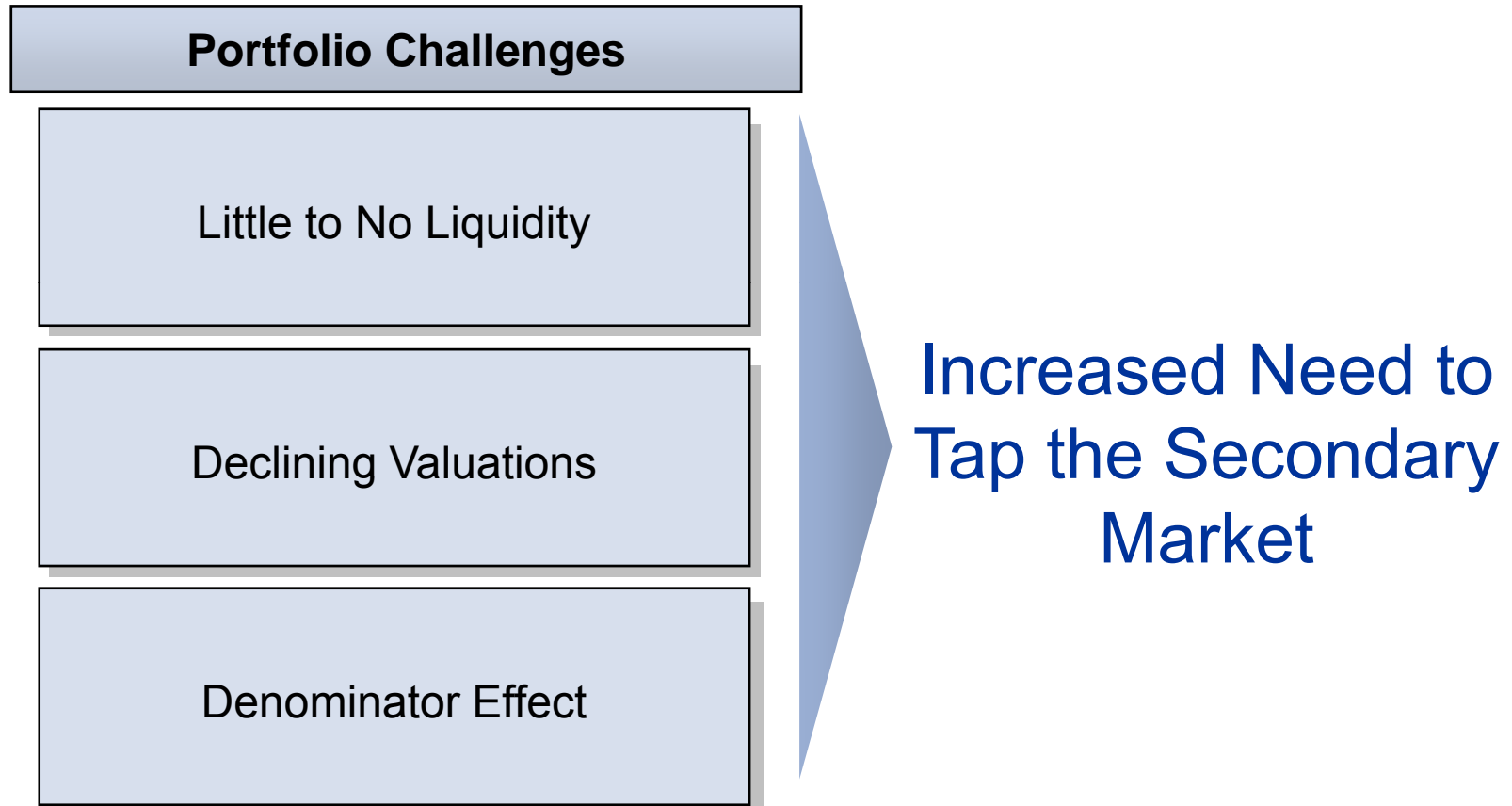
Secondary Deal Flow (2003-2008)



- Increased number of investors, funds, and capital begin to drive more deal flow
- Typical turnover rate appears to be increasing
- Greater acceptance in using the secondary market
- Distressed enters the picture in 2008

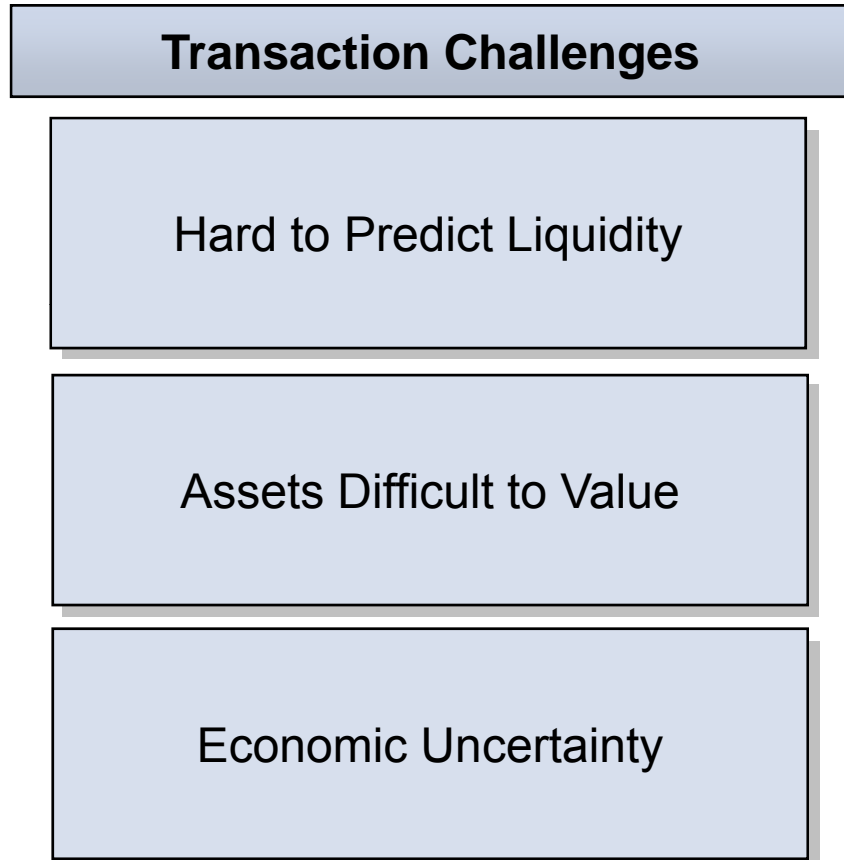
Accelerating Secondary Deal Flow

Sellers Perspective



Unprecedented Secondary Opportunities

Buyers Perspective



Many Assets Are
Difficult to Buy

Experience is Paramount

Pomona: Two Alternative Secondary Strategies

Secondary LP Strategy

Direct fund investments (LP interests)
 LBO/VC/Mezzanine funds
 ~200 LP interests
 600 – 800 underlying companies

Secondary Co-Investment Strategy

Direct company interests (co-investments)
 LBO's only
 20 – 40 co-investment positions

- An inefficient market
 - \$2.7B primary program provides information advantage
- Reduced blind pool risk
 - Visibility to post-close operating performance
- Price discount
 - Opportunity to purchase tested assets at significant discounts to NAV
- Shortened holding period
 - Purchasing assets years into initial investment drives rate of return
- Diversification
 - Vintage year, sector, geography, GP and stage

Pomona's Secondary Performance: 26% IRR Over 15 Years



Conclusion

- Private equity is a **large, established asset class** supported by institutions and wealthy individuals from around the world
- Private equity funds have **historically outperformed** other asset classes over time
- The current market **environment for private equity is challenging**, as with other asset classes
- The secondary PE market is currently an **area of significant opportunity** for portfolio diversification
- Pomona Capital is an **experienced private equity investor** with a proven fifteen-year history of secondary investing



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