

The Secondary Market Opportunity

The Current Secondary Market Backdrop

While we continue to see a tremendous amount of deal flow in the secondary market, the deal completion rate slowed in Q2 2022 as the market paused to digest volatility and lower pricing. Deal flow is expected to remain strong, as seeking liquidity and capital via the secondary market will continue to be priority for both LPs and GPs in the current environment. For LPs in particular, the challenge will be determining what pricing they are willing to accept in order to solve their increasing over-allocation issues. What was an opportunistic exercise in recent years is set to become more tactical and need-based.

Supply/Demand

With broad market acceptance continuing to drive secondary supply growth, the secondary market has never been more undercapitalized than it is today. Currently, there is only around \$100-\$125 billion¹ of dry powder, which is less than 2021 transaction volume and still just a small fraction of the \$6+ trillion of NAV in the private markets. There is a tremendous amount of potential secondary opportunity relative to the capital available to execute on those opportunities. This dynamic is creating an attractive opportunity from a buying perspective.

LP Interest Pricing

Pricing has declined across the board since the beginning of the year, with most deals still pricing off of year-end NAVs (or March 2022 NAVs, which were broadly similar to year-end). The quick decline in pricing, along with increasing buyer caution, has caused LP deal activity in the secondary market to temporarily slow down. However, there is a strong backlog of motivated LPs bringing portfolios to market in the second half of 2022 and we anticipate volumes increasing as buyers and sellers gain visibility into second quarter valuations and performance. To the extent June valuations come down to account for the current environment, optimal discounts could be palatable, further supporting deal activity in the second half.

Transaction Landscape – Macro Impacts

	Supply Impact	Opportunity Outlook
LP Interest	<ul style="list-style-type: none"> LPs are overallocated to private equity, driven by the decline across many asset classes aside from private equity, which did not move materially in Q1. This dynamic should support LP interest deal flow in the next several quarters as LPs rebalance their portfolios and maintain their private markets commitment pacing. 	<ul style="list-style-type: none"> Targeted sales of higher-quality portfolio subsets may be the most efficient path for motivated, price-sensitive sellers, as buyers focus on funds they know best and the market shifts from macro to micro. Motivated sellers will increasingly transact directly with secondary buyers that can offer certainty in an uncertain environment.
GP-Led/Complex	<ul style="list-style-type: none"> GP-led/complex transactions still comprised the majority of deal flow through the first half of 2022, and supply from general partners is showing no signs of slowing. The benefits to GPs (providing liquidity to LPs, holding onto their best/most resilient assets, developing and strengthening strategically important relationships) are all magnified in the current market environment. 	<ul style="list-style-type: none"> There will continue to be a shortage of capital for GP-led transactions, as average deal sizes remain high and buyers become more cautious on valuation. As a result, we expect this to be a buyer's market for some period of time. While continuation vehicles should continue to represent the majority of this market segment, macroeconomic and valuation uncertainty should present more opportunities to pursue structured and complex transactions. GPs will prioritize both existing relationship status and secondary expertise in identifying preferred counterparties to partner with directly in these transactions.

Why Now? – Secondary Market Opportunity

- More options for buyers coupled with attractive supply/demand dynamics
- The uncertainty and need for liquidity will bring a wave of opportunities to buy at lower prices/valuations
- Higher-quality funds sold more frequently than ever as LPs need to manage their portfolios while being price sensitive

Why Now? – Hamilton Lane Secondary Fund VI

Hamilton Lane Secondary Fund VI is just beginning its investment period (no legacy seed portfolio) and is well-positioned to fully capitalize on the attractive current market opportunity

Relationship Capital

We are strategically important and a preferred partner to GPs due to our primary/private markets scale. These relationship advantages result in differentiated deal flow, insight and execution capabilities.

Micro Approach

Our targeted, quality-focused investment approach utilizing our unique data advantages is effective in all markets, but even more so in periods of increased uncertainty and volatility.

Experienced Team

Tenured and cohesive team has experience working together through multiple market cycles, and has the expertise to invest in all transaction structures and across geographies.

Bringing our Advantages Together – Project Moneyball

	Stage 1 Idea Generation	Stage 2 Crafting the Deal	Stage 3 Deal Execution
<p>Transaction Snapshot</p> <p>Investment Date: March 2022</p> <p>Deal Size: \$374M</p> <p>Transaction Type: LP interest</p> <p>Process Type: Proprietary</p> <p>Seller Type: Large Institutional LP</p> <p>Underlying Funds: 5</p>	<ul style="list-style-type: none"> • Automated HL technology alerted Secondary team of intel from a Fund Investment Team (FIT) meeting; identified a fund at an attractive inflection point. • HL worked with FIT to approach the GP, who was eager to grow its HL relationship. • GP asked one of its largest and most supportive LPs to consider a partial sale to HL. 	<ul style="list-style-type: none"> • Direct dialogue with the seller allowed HL to cherry-pick several additional funds, all of which HL had been proactively targeting. • Proprietary data and insights led to conviction in upside drivers and embedded value for all the funds. 	<ul style="list-style-type: none"> • Provided a smooth transfer process, as HL represented a familiar and friendly counterparty for all GPs involved. • A differentiated purchase of targeted, high-quality funds in a proprietary process without them being packaged alongside lesser-quality funds.

Summary of Fund Terms¹

Target Size	\$5.0B
Minimum Commitment	\$5.0M
Commitment Period	3 years
Partnership Term	10 years
Hamilton Lane Commitment	1% of total commitments
Fund Structure	Several options available
Carried Interest	12.5%
Preferred Return	8%
Management Fees	Commitment period: 1% on commitments ² Post Commitment period: 1% of Net Asset Value (NAV)

Who We Are: Hamilton Lane Secondary Platform Overview

We are a long-standing, successful secondary franchise that benefits from being attached to one of the world's leading private markets platforms.

✓ Experience

✓ Credibility

✓ Integrated & aligned investment teams

22+

Years of Experience

\$13.5B+

Secondary AUM*

300+

Secondary Transactions Completed

35

Team Members**

Platform Drives Deal Flow

Secondary Deal Flow Since 2019

\$575B
Reviewed

1,600+
Deals Reviewed

~1%
Selection Rate

Endnotes

Page 1

¹ Source: Evercore 2021 YE Survey Results

Page 3

¹ The terms set forth above are for informational purposes only and are subject in their entirety to the Fund's offering documents. Please refer to the Fund's offering documents for a complete description of the fees, liquidity, and other restrictions and requirements related to an investment. There can be no assurances that the Fund will achieve its objectives.

² Fee breaks at commitment sizes of >\$50m (0.9%); >\$100m (0.825%); and >\$150m (0.75%)

*Total Secondary AUM = (discretionary and non-discretionary AUM + Unfunded).

**Includes Secondary Investment Committee

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