

**To:** Jeffrey Epstein[jeevacation@gmail.com]  
**From:** David Stern  
**Sent:** Thur 2/18/2010 10:25:29 AM

if we set up our business in the right way (JEDS private office, co-owner with JPM of China-focused fund AG Capital) we can manage Chinese money too.

To be discussed when we meet next.

Sovereign wealth fund China Investment Corp will invest \$1.5bn in private equity secondaries with three of the biggest specialists in buying second-hand fund interests, according to the Financial Times.

Lexington Partners, Goldman Sachs and Pantheon Ventures have all agreed to manage custom accounts of \$500m each, which will be kept separate from their main investor funds.

As money is scarce, the ball has landed in the investors' court and this special arrangement is yet another sign of this.

Carlyle founder David Rubenstein believes that large-scale potential limited partners have enough capital behind them to command even more power. He is quoted as saying, "The era of big public pension funds and sovereign wealth funds accepting the same terms as smaller investors is over."

The secondary market offers investors the opportunity to exit what is an illiquid asset class. By selling their interests in private equity funds they can raise cash, instead of riding out extended lock-in periods of as long as ten years or more.

Last year the secondary market was relatively quiet as sellers hung onto highly discounted assets, with buyers bidding below sellers' expectations. The bid-ask spread is said to be narrowing with the consensus that the market will pick up this year.

CIC is a \$200bn sovereign wealth fund formed in 2007.

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