Private Equity Spotlight

March 2013

Welcome to the latest edition of Private Equity Spotlight, the monthly newsletter from Preqin providing insights into private equity performance, investors, deals and fundraising. Private Equity Spotlight combines information from our online products Performance Analyst, Investor Intelligence, Fund Manager Profiles, Funds in Market, Secondary Market Monitor, Buyout Deals Analyst and Venture Deals Analyst.

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You can download all the data in this month's Spotlight in Excel.

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Platte River Equity III

Lower middle market investments in targeted industrial sectors

$405m

Group Alpha APEF 6

Mid-Market Buyouts in Continental Europe

€700m

L Capital 3

Pan European buyouts in aspirational brands

€400m

Industry Ventures Fund VI

Venture investments in direct secondary opportunities and limited partnership interests

$400m

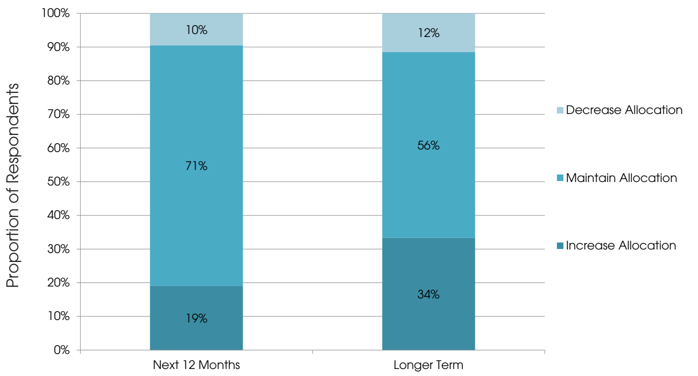
Private Equity Investment in Emerging Markets: The BRIC Nations

With investor interest in emerging markets continuing to grow, Jessica Sutro examines private equity investment in the BRIC nations, which have often been regarded as the primary focus of emerging markets-focused investment. We explore the latest data on these countries, including trends in investor interest, fundraising and deals.

With economic uncertainty continuing in more developed markets, many investors are increasingly looking to gain exposure to emerging markets in their private equity portfolios in order to achieve greater diversification and target potentially higher returns. Ninety percent of private equity investors interviewed by Preqin in December 2012 that invest or consider investing in emerging markets stated that they plan to maintain or increase their private equity allocations to emerging markets over the next 12 months (Fig. 1).

Brazil, Russia, India and China have often been regarded as the primary focus of private equity investment in emerging markets, historically grouped together as the BRIC nations. The four BRIC countries are now some of the largest economies in the world, and continue to attract significant capital from private equity investors. In this article, we examine recent private equity trends across the BRIC nations, including investor interest, fundraising, and buyout and venture capital deals activity, in order to explore their current place within the wider emerging markets private equity space.

Fig. 1: Investors' Intentions for Their Private Equity Allocations to Emerging Markets



Source: Preqin Investor Interviews, December 2012

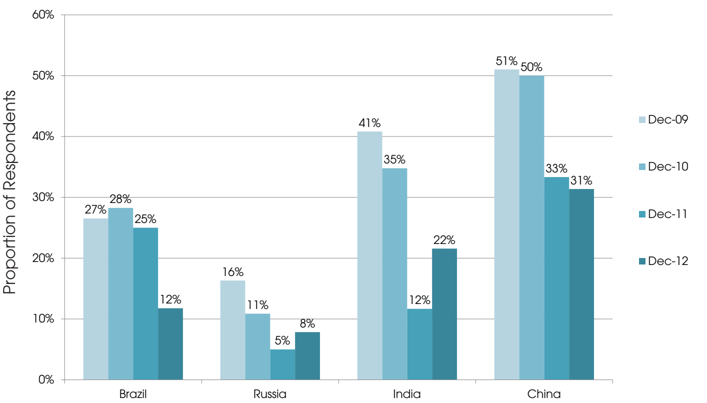
Investor Interest in BRIC

Fig. 2 shows that among investors interviewed by Preqin in December 2012, the four BRIC countries are still viewed as presenting the best opportunities within emerging markets by significant proportions of investors. The BRIC nations were the only specific countries to feature prominently among regions and countries within emerging markets named by respondents. China and India in particular are attractive to LPs, with 31% and 22% of investors interviewed naming these countries respectively as currently presenting the best opportunities within emerging markets.

However, since December 2009 there has been a decline in LP interest in two of the BRIC nations, China and Brazil. The proportion of investors interviewed that view China as presenting the best opportunities within emerging markets has dropped from 51% in December 2009 to 31% in December 2012, and the proportion of investors naming Brazil has dropped from 27% to 12% over the same time period.

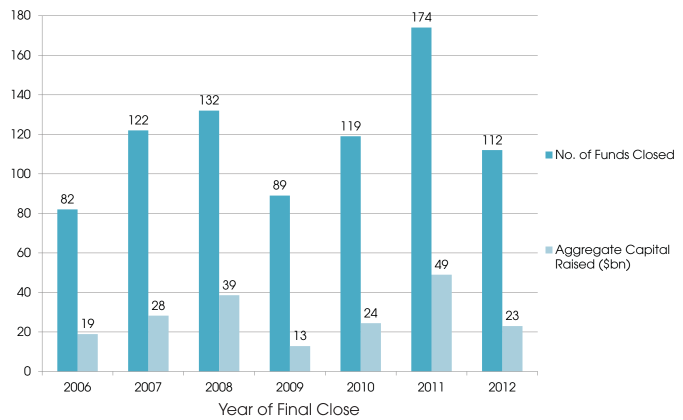
Although India and Russia saw declines in investor interest between December 2009 and December 2011, both have seen growing investor interest over the last year, as shown in Fig. 2. The proportion of investors naming India as presenting the best private equity investment opportunities within emerging markets increased

Fig. 2: Countries and Regions within Emerging Markets that Investors View as Presenting the Best Opportunities*



Source: Preqin Investor Interviews, December 2009 - December 2012

Fig. 3: Annual Fundraising for BRIC-Focused Private Equity Funds by Year of Final Close, 2006 - 2012



Source: Preqin Funds in Market

**Respondents were not prompted to give their opinions on each country/region individually; therefore the results display the countries and regions at the forefront of investors' minds at the time of the survey.*

Fig. 4: Top 10 Largest BRIC-Focused Funds in Market by Target Size (As of March 2013)

Fund	Vintage	Manager	Type	Target Size (mn)	Fund Status	Geographic Focus	Manager Location
CDH China Fund V	2013	CDH Investments	Growth	2,000 USD	First Close	China	China
CITIC Buyout Fund	2013	Goldstone Investment	Buyout	10,000 CNY	Raising	China	China
Urban Infrastructure Construction Industrial Investment Fund	2012	All-China Federation Industrial Funds Management	Infrastructure	10,000 CNY	First Close	China	China
Guochuang Kaiyuan Fund of Funds	2011	China Development Bank Capital	Fund of Funds	10,000 CNY	Second Close	China	China
BTG Pactual Brazil Infrastructure Fund II	2012	BTG Pactual	Infrastructure	1,500 USD	Second Close	Brazil, South America	Brazil
AVG CIS Agricultural Opportunities Fund	2013	AVG Capital Partners	Buyout	1,500 USD	Raising	Russia	Russia
Blue Economic Zone Industrial Investment Fund I	2012	China Bright Stone Investment Management Group	Growth	8,000 CNY	First Close	China	China
3i India Infrastructure Fund II	2013	3i Infrastructure	Infrastructure	1,250 USD	Raising	India	UK
Astra Infrastructure Fund	2013	Astra Investimentos	Infrastructure	1,000 USD	Raising	Brazil	Brazil
Astra Natural Resources Fund	2013	Astra Investimentos	Natural Resources	1,000 USD	Raising	Brazil	Brazil

Source: Preqin Funds in Market

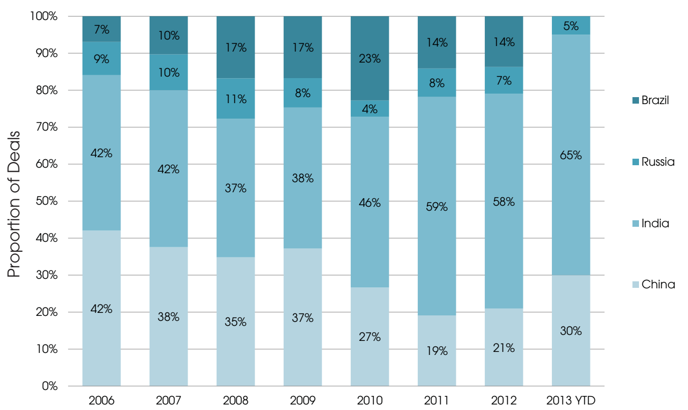
from 12% of investors in December 2011 to 22% in December 2012. Russia saw a slight increase over the last year, from 5% of investors interviewed naming the country in December 2011 to 8% in December 2012.

BRIC-Focused Fundraising

Aggregate annual fundraising for private equity funds focused exclusively on the BRIC nations has consistently accounted for about a third of both the number of (33%) and aggregate capital raised (35%) by emerging markets-focused funds between 2006 and 2012. Fig. 3 shows that BRIC-focused private equity fundraising saw a peak in 2011, with 174 funds targeting these countries raising an aggregate $49bn. In 2012, 112 funds raised a smaller aggregate $23bn, closer to the fundraising levels seen in 2010, when 119 funds raised an aggregate $24bn in capital commitments from investors.

Exclusively China-focused funds have historically represented the largest proportion of capital raised for investment in the BRIC nations; in 2012 these funds accounted for 73% of the total capital raised by BRIC-focused funds. Comparatively, exclusively India-focused funds only represented 10% of the capital raised by BRIC-focused funds that closed in 2012.

Fig. 5: Proportion of Number of Private Equity-Backed Buyout Deals in the BRIC Region by Country, 2006 - 2013 YTD (As at 20 February 2013)



Source: Preqin Buyout Deals Analyst

Many fund managers raising capital to invest in the BRIC nations are increasingly raising single country-focused funds, rather than vehicles that plan to invest across multiple BRIC nations. In 2006 and 2007, an average of 21% of the number and 24% of the aggregate capital of funds exclusively targeting the BRIC nations was raised by fund managers targeting more than one country. In 2012 this has dropped to only 5% and 4% of the number and aggregate capital raised by purely BRIC-focused funds. Of the 236 BRIC-focused funds currently in market, only 7% are targeting multiple countries. Fig. 4 shows that all of the top 10 largest BRIC-focused funds in market are targeting specific countries, and half have a specific focus on China.

Interestingly, firms based in Brazil, Russia, India and China have been raising an increasingly large proportion each year of the total capital raised for investment in the BRIC nations; in 2010 BRIC-based managers raised 69% of the aggregate capital raised by BRIC-focused funds and in 2012 this increased to 83%. In 2007, prior to the financial crisis, BRIC-based fund managers only represented 43% of the aggregate capital raised by BRIC-focused funds.

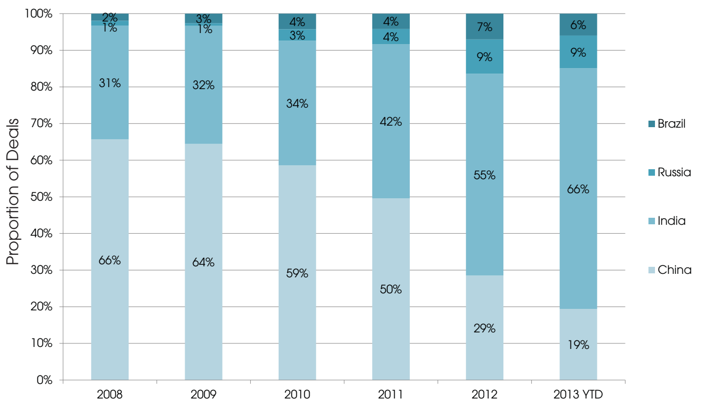
Buyout Deals

Private equity-backed buyout deals within Brazil, Russia, India and China have been growing significantly in recent years, making up an increasingly larger proportion of emerging markets deals in terms of both number and aggregate deal value. In 2006, buyout deals in Brazil, Russia, India and China accounted for 53% of the number and 36% of the aggregate value of deals across emerging markets. In 2012, this increased, with deals in the BRIC nations representing 71% of the number and 70% of the aggregate value of emerging markets deals.

Fig. 5 shows that India has consistently represented the largest proportion of deals among the BRIC nations, averaging 49% of private equity-backed buyout deals within BRIC nations annually between 2006 and 2012. China, however, has often attracted the greatest proportion of aggregate value of BRIC buyout deals, averaging 43% across the period. In 2012, China deals accounted for 55% of the aggregate value of all BRIC buyout deals throughout the year.

The largest buyout deal to take place in the BRIC region from 2006 to March 2013 was in December 2012, when Carlyle Group, China Everbright, CITIC Capital and FountainVest Partners, together with management, agreed to take Focus Media, a digital media group based in China, private for $3.7bn.

Fig. 6: Proportion of Number of Venture Capital Deals in the BRIC Region by Country, 2008 - 2013 YTD (As at 20 February 2013)



Source: Preqin Venture Capital Deals Analyst

Venture Capital Deals

The BRIC nations are even more prominent among emerging market venture capital deals; in the period between 2008 and 2012, venture capital deals within Brazil, Russia, India and China accounted for an average of 76% of the number and 87% of the aggregate value of venture capital deals taking place across emerging markets. The number of venture capital deals in Brazil, Russia, India and China has been increasing since 2009, from 270 deals in 2009 to 512 deals in 2012. The aggregate value of BRIC deals peaked in 2011 at $7bn, but fell in 2012 to $4bn.

India has seen the most growth among the BRIC nations with respect to venture capital deal activity. Fig. 6 shows that the proportion of the number of BRIC venture capital deals represented by India has increased significantly in the last four years, from 31% in 2008 to 55% in 2012. The number of venture capitals deals taking place in India has grown from 120 in 2010, to 201 in 2011, and 282 throughout 2012.

In contrast, the number of venture capital deals taking place in China declined over the last year. Two hundred and thirty-seven venture capital deals took place in China in 2011 valued at an aggregate

$5.3bn, compared to 146 deals in 2012 with an aggregate value of $2.2bn. All of the 10 largest venture capital deals by deal size in the BRIC region since 2008 took place in China, the largest of which was the $500mn Series C financing of 360Buy, an online retailer of computer, communication, and consumer electronic products in China, by a consortium of investors, including DST Global.

India has also received the greatest proportion of early stage deals between 2008 and March 2013; 33% of venture capital deals taking place in the country across this period were angel/seed or Series A/Round 1 deals, compared to 28% in Brazil, 20% in Russia and 23% in China. China has received the greatest proportion of later stage deals, with 27% of venture capital deals taking place within the country since 2008 consisting of Series B, C, or D and later deals, compared to 12% in Brazil, 12% in Russia, and 15% in India. Brazil attracted the greatest proportion of expansion/growth capital, with 12% of deals at this stage.

Outlook

Brazil, Russia, India and China continue to attract significant attention from private equity investors, and represent significant proportions of emerging markets-focused fundraising and deal activity. As each of the countries has developed in recent years, many fund managers targeting these nations have increasingly been raising single-country focused funds. India and China in particular are attracting large amounts of capital from investors and have witnessed significant levels of buyout and venture capital activity in recent years. Although BRIC-focused private equity funds saw a decline in fundraising in 2012 compared to 2011, as the economies in these countries continue to grow in the future, they are likely to remain attractive to private equity investors investing or considering investing in emerging markets.

Subscriber Quicklink:

Subscribers to Preqin's Funds in Market can click here to view all 366 BRIC-focused funds currently in market, including final and target size, status, fund type and much more.

Subscribers to Preqin's Fund Manager Profiles can click here to access a list of all 1,017 active fund managers focusing on the BRIC region. Details include strategies, regional and industry preferences, recent investment activity and much more.

Not yet a subscriber? For more information on how Preqin's private equity services can help you, please visit:

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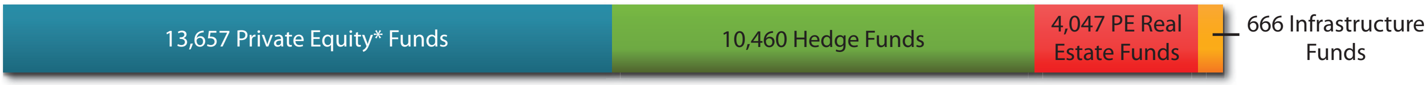
Preqin Global Data Coverage

As of 1 March 2013

Fund Coverage: 28,830 Funds



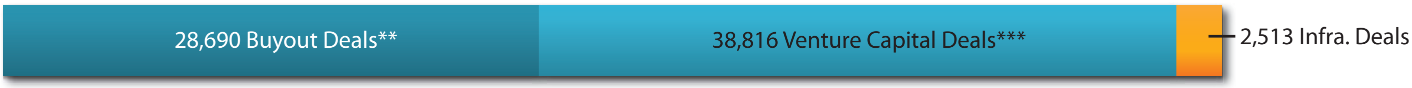
Firm Coverage: 14,160 Firms

Performance Coverage: 10,649 Funds (IRR Data for 4,906 Funds and Cash Flow Data for 2,234 Funds)

Fundraising Coverage: 11,568 Funds Open for Investment/Launching Soon

Including 1,903 Closed-Ended Funds in Market and 460 Announced or Expected Funds

Deals Coverage: 70,019 Deals Covered; All New Deals Tracked



Investor Coverage: 10,520 Institutional Investors Monitored,

Including 7,542 Verified Active**** in Alternatives and 79,434 LP Commitments to Partnerships

Alternatives Investment Consultant Coverage: 442 Consultants Tracked

Fund Terms Coverage: Analysis Based on Data for Around 6,500 Funds

Best Contacts: Carefully Selected from Our Database of over 230,322 Active Contacts

Plus

Comprehensive coverage of:

- Placement Agents
- Fund Administrators
- Law Firms
- Debt Providers
- Dry Powder
- Compensation
- Plus much more...

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*Private Equity includes buyout, venture capital, distressed, growth, natural resources and mezzanine funds.
**Buyout deals: Preqin tracks private equity-backed buyout deals globally, including LBOs, growth capital, public-to-private deals, and recapitalizations. Our coverage does not include private debt and mezzanine deals.
***Venture capital deals: Preqin tracks cash-for-equity investments by professional venture capital firms in companies globally across all venture capital stages, from seed to expansion phase. The deals figures provided by Preqin are based on announced venture capital rounds when the capital is committed to a company.
****Preqin contacts investors directly to ensure their alternatives programs are active. We emphasize active investors, but clients can also view profiles for investors no longer investing or with programs on hold.

Preqin Industry News: Large to Mega Buyouts

The $24.4bn privatization of Dell in early February and the $28bn acquisition of H.J. Heinz Company may be an indication of a resurgence in private equity mega buyout activity. Olivia Harmsworth takes a closer look at the recent news on large to mega private equity buyouts funds and the investors committing to these vehicles.

Buyout funds, including a number of large to mega buyout vehicles, have experienced fundraising success in recent months:

- Silver Lake increased the target size for its fourth buyout fund, Silver Lake Partners IV, from $7.5bn to $9bn, which looks to make large-scale private equity investments within the technology, technology-enabled, and related growth industries.
- KKR Asia Fund II, managed by Kohlberg Kravis Roberts, is set to exceed its $6bn target size, and is looking to reach a final close in Q1 2013. The fund focuses on management buyouts and growth equity investments in Asia.
- Nordic Capital Fund VIII, managed by Nordic Capital, held a first close on $1.7bn in February 2013, more than half of its $3bn target. The buyout vehicle primarily target investments in Europe-based companies, mainly in the Nordic region and the German-speaking countries.

Investors have already committed to or plan to commit to large and mega buyout vehicles in 2013:

- Washington State Investment Board recently committed an additional $250mn to KKR North American XI Fund, which invests in mature, large-cap companies, after originally committing $500mn to the fund in 2011.
- Teachers' Retirement System of the State of Illinois has committed $250mn to Carlyle Partners VI. It also recently made two further commitments to mega buyout funds, committing $150mn to Silver Lake Partners IV, and $150mn to Advent Global Private Equity VII.
- Keva plans to make between six and eight new private equity commitments over the next 12 months, and will primarily focus on mega buyout funds, as well as mid-market vehicles. It anticipates committing between €50mn and €100mn per fund.

Which Buyout-Focused Fund Managers Have the Most Capital Available for Investment?

Chart of the Month: 10 Largest Private Equity Fund Managers Globally by Aggregate Buyout Dry Powder (As at 6 March 2013)

Fund	Dry Powder ($bn)	Location
Blackstone Group	13.3	US
Advent International	11.6	US
Carlyle Group	8.9	US
Goldman Sachs Merchant Banking Division	7.3	US
Kohlberg Kravis Roberts	6.9	US
BC Partners	6.8	UK
Leonard Green & Partners	6.2	US
Hellman & Friedman	5.8	US
Bain Capital	5.8	US
TPG	5.7	US

Source: Preqin Fund Manager Profiles

Interview: Capital to Spend

Are leveraged buyouts back? What do the Dell and Heinz deals mean for private equity debt going forward? Preqin's CEO, Mark O'Hare, was recently interviewed by CNBC at SuperReturn Berlin discussing private equity fundraising trends.

Do you have any news you would like to share with the readers of Spotlight? Perhaps you're about to launch a new fund, have implemented a new investment strategy, or are considering investments beyond your usual geographic focus?

Send your updates to spotlight@preqin.com and we will endeavour to publish them in the next issue.

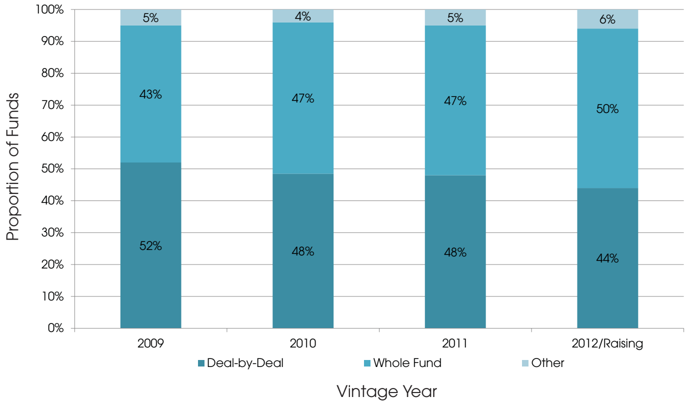
ILPA Guidelines Have Noticeable Impact

Gus Black, Carl A. de Brito and Roger Mulvihill from Dechert LLP, in conjunction with Preqin, examine whether the ILPA Guidelines have had any impact on private equity fund terms and conditions.

Every private equity fund formation is unique, but after more than three years of the ILPA (Institutional Limited Partners Association) Guidelines and one comprehensive revision which reflected the views of many industry participants, some preliminary observations are relevant. These comments are based on Preqin's study of 2,400 private equity funds taken from the 2012 Preqin Private Equity Fund Terms Advisor and our own experiences in representing sponsors and limited partners in similar funds.

The ILPA Guidelines have clearly had an impact on sponsors and limited partners, although not in all cases, and not with respect to all of the "best practices" recommended in the Guidelines. One of the largest US pension funds, on the one hand, announced in February 2012 that it would require all private equity funds in which it is invested to comply with the ILPA terms on capital calls and distributions. On the other hand, many GPs have suggested that the ILPA Guidelines need to be modified in many cases to reflect their specific circumstances.

Fig. 1: North America-Focused Funds - Basis for Distribution of Fund Proceeds by Vintage Year



Source: 2012 Preqin Private Equity Fund Terms Advisor

Distribution of Fund Proceeds

From our experience, in both the US and Europe, the best performing private equity funds were the least likely to adopt the more significant recommendations in the ILPA Guidelines. Preqin's data seems to confirm this observation. For instance, one of the more far-reaching suggestions in the Revisions directly affecting LP/GP economics was a definite preference for the European-style waterfall, where LPs receive priority distributions of all their capital contributions and any preferred return before any carried interest is distributed to the GP. Preqin's data indicates that only 50% of North America-focused funds raised in 2012 adopted a so-called "whole fund" distribution approach instead of the deal-by-deal format (Fig. 1).

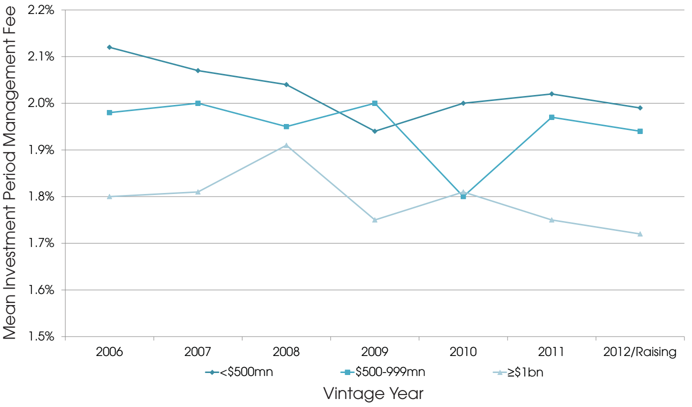
Of course, there are several reasons why successful funds might persuade investors to support the traditional waterfall structure. For one thing, many funds had already adopted modifications which softened the impact of the classic deal-by-deal waterfall provisions. Limitations on distributions, such as net asset value coverage tests or carry escrows, which have been widely adopted by even top-tier funds, and interim clawback provisions, effectively create a hybrid waterfall which in some cases has an impact similar to a whole fund approach (the Revision itself suggested several such restrictions on GP carried interest distributions, as a fallback approach). Then, too, the most desirable private equity funds – generally those that have long-standing top quartile track records, and can point to a "prior vintage" position on key fund terms – often had the leverage to push back on fundamental changes to their distribution structure. This was also the case in Europe, where some sponsors – albeit a minority – continue to use a deal-by-deal model to be consistent with earlier fund vintages, even though the "whole fund" basis of calculation is more prevalent overall in Europe.

Fee Rebates

It seems clear that the vast majority of investors, both institutional LPs and others, are very familiar with the ILPA Guidelines and the Revisions. In our experience, LPs cited provisions in the ILPA Guidelines in support of their preliminary investment positions even if they were more marginal investors in highly successful funds and would not have expected to have much practical impact on the terms. Indeed, the less established investors used the ILPA Guidelines as a form of due diligence checklist, with some adopting a "comply or explain" approach. Our impression, however, is that more experienced investors have their own checklist of key issues and positions, and for them the ILPA Guidelines will have been less helpful as a due diligence resource, albeit that it may have helped those investors' overall negotiation position.

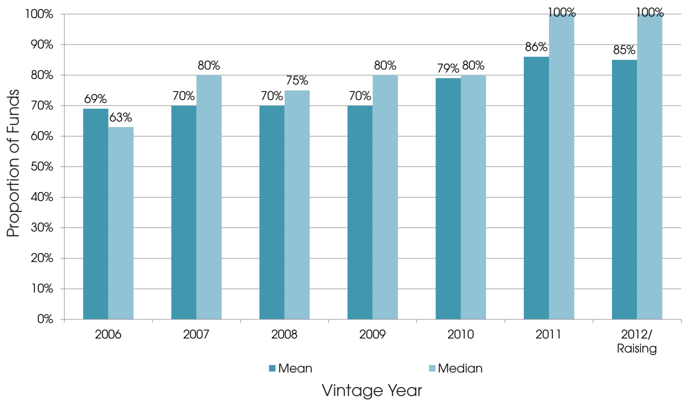
Less established fund sponsors and new funds, even those being formed by sponsors with impressive track records elsewhere, almost always incorporated most of the ILPA Guidelines suggestions in their initial offering materials. Sponsor lawyers were frequently asked to compare the sponsor's proposals at an early stage against the Guidelines even before any contact with prospective limited partners. We understand that several placement agents routinely advise new funds to adhere to the Guidelines (or to be able to justify convincingly why they are deviating from the Guidelines) and avoid potentially contentious debates with investors except on terms the sponsors consider vital.

Fig. 2: Buyout Funds - Mean Management Fee by Fund Size and Vintage Year



Source: 2012 Preqin Private Equity Fund Terms Advisor

Fig. 3: Average Share of Transaction Fees Rebated to LPs in Buyout Funds by Vintage Year



Source: 2012 Preqin Private Equity Fund Terms Advisor

In the area of fee income offsets, the ILPA Guidelines seem to have had a significant impact on private equity terms, even for many private equity funds. On average, 86% of new funds in 2011 and 85% of new funds in 2012 in the buyout fund sector rebated all transaction fees (while the 2009 Guidelines recommended a 100% offset, the Revisions did not suggest a specific rebate percentage). In the 2012 Preqin Private Equity Fund Terms Advisor there did not seem to be a significant difference on average in the treatment of fees (i.e. whether transaction, monitoring, directors, breakup or other). Deal terms have been trending in this direction for several years but the Guidelines no doubt provided additional impetus.

Management Fees

Other proposals in the ILPA Guidelines may have had a more indirect impact on actual deal terms. The Guidelines recommended that management fees be set based on sponsor-provided budgets or expense models in order to tie fees to a more realistic estimate of operating expenses. In earlier years it was suggested that a good many funds profited handsomely from the management fees even if the portfolio performance was substandard. We do see more limited partners requesting management company information, including management fee budgets, as well as management professionals compensation criteria. Although we are not aware of any established sponsors that have provided detailed budgets to prospective investors for the purpose of setting management fees, those fees have generally declined since vintage 2010 funds in all size categories. For instance in funds under $500mn, fees have declined from 2% to 1.99% in 2010 and 2012 respectively; in funds from $500mn to $999mn, fees have declined in 2011 and 2012 to 1.97% and 1.94% respectively; and in funds over $1bn, fees have declined from 1.81% in 2010 to 1.75% in 2011 and 1.72% in 2012 respectively.

The ILPA Guidelines also encouraged limitations on investment concentrations and, although such provisions were generally common before the Guidelines, it is likely that the recommendations had some favourable impact. Thus, in vintage 2011 and 2012 funds, 38% of the funds restricted a single investment to 15% of capital and 44% limited it to 20%. There has also been a noticeable increase in requests for tightening of overall investment focus so that sponsors are not able to "creep" away from the fund's core geographic, industry or other focus.

GP Commitments

The ILPA Guidelines emphasized that general partners should have substantial cash equity investments in their funds. It is hard to generalize from the findings in the 2012 Preqin Private Equity Fund Terms Advisor since sponsor contributions in 2011 and 2012 were widely dispersed. In general, most buyout funds averaged between 1% and 3% of aggregate commitments, although some GPs (particularly in foreign funds) made substantially higher contributions. The Guidelines and the Revision disapproved of management fee waivers which appear to be less popular according to Preqin's study and in our experience as well.

The Revision recommended that fund extensions should be limited to one-year increments after LP or LP advisory board approval. However, the 2012 Preqin Private Equity Fund Terms Advisor found that most extensions were for two-year periods, normally in two one-year increments, with about a third providing for Advisory Board approval. Sponsors generally followed the Revision on recommended no fault divorce percentages, however. The Revision suggested a three-quarters vote of the LPs in interest to terminate a fund. Preqin's data shows that most funds adopted a 75% vote, with a few outliers at 80%, which is also consistent with our own experience.

The 2012 Preqin Private Equity Fund Terms Advisor found other developments which were not explicitly covered in the ILPA Guidelines but were consistent with the overall spirit of aligning the interests of sponsors and limited partners. The number of limited partner members on the advisory board averaged between four and six, depending on the size of the fund, which reflected a workable sized board in light of the increased responsibilities of the advisory board contemplated by the ILPA Guidelines and the Revision. The vast majority (72%) of vintage 2011 and 2012 funds analyzed in Preqin's study restricted the final close to one year after the first close, which limited the complications for LPs if values of portfolio companies changed during an extended fundraising term. Organizational expenses also seemed consistent with the spirit of alignment in that they are generally influenced by the size of the fund.

Outlook

Last year the ILPA uploaded to its members-only website a software tool that allows limited partners to quantify limited partnership adherence to its principles. It is not clear yet what impact the Guidelines scoring tool will ultimately have on compliance with the Guidelines once it is made public, probably later this year. At least one large pension fund has instructed its analysts to use the tool when reviewing new fund agreements. Generally, the Guideline scoring mechanism includes any measurable ILPA principle in the software program which asks users to rank their partnership terms with the specific principles outlined in the Guidelines. Each ILPA principle is weighted based on its perceived importance, so that the waterfall structure, for instance, would presumably have greater weight than certain advisory board matters. A full breakdown of each principle's weighting however is not yet available to non-ILPA members. While many GPs will argue that one size doesn't necessarily fit all, GPs with less impressive ILPA scores should be prepared at a minimum to discuss why the tool is less of a factor in their particular case.

Dechert LLP

Dechert LLP is an international law firm with fully integrated offices throughout the United States, Europe, the Middle East and Asia. Our private equity team, numbering approximately 250 lawyers worldwide, provides creative solutions to the most complex issues in structuring, negotiating and consummating private equity transactions at every phase of the investment life cycle. Dechert's private fund formation practice group has expertise across all major asset classes, fund domiciles and structures, with attention to tax efficiency and market terms for the benefit of fund sponsors and institutional investors.

Dechert LLP has been ranked among the leading law firms for private equity by prominent league tables, such as Preqin, PitchBook, mergermarket, Private Equity Analyst, and The American Lawyer's "Corporate Scorecard." We are also recommended for private equity by The Legal 500, Chambers and JUVE.

Data Source:

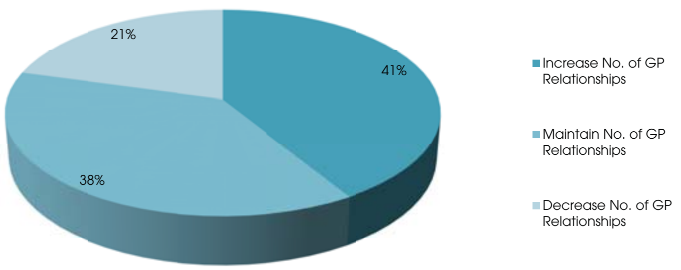
This article features data from the 2012 Preqin Private Equity Fund Terms Advisor, which contains vital analysis, benchmarks and actual listings of key terms for funds of all types, latest barometer of LP opinions and more.

For more information, or to purchase a copy, please visit: www.preqin.com/fta

Investors' Views on GP/LP Alignment

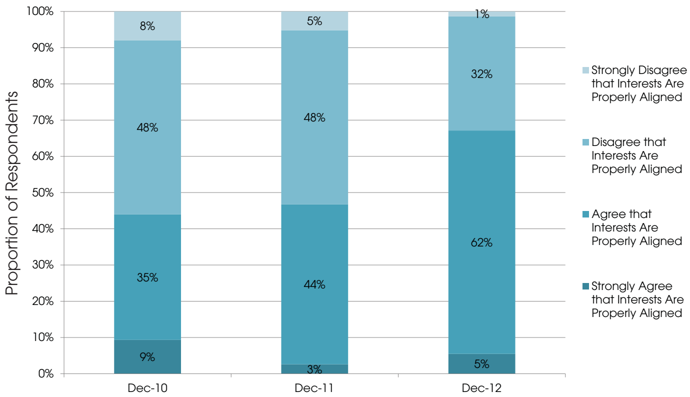
Antonia Lee examines investors' opinions on the alignment of interests between GPs and LPs in fund terms.

Fig. 1: Investors' Intentions for GP Relationships over the Next Two Years



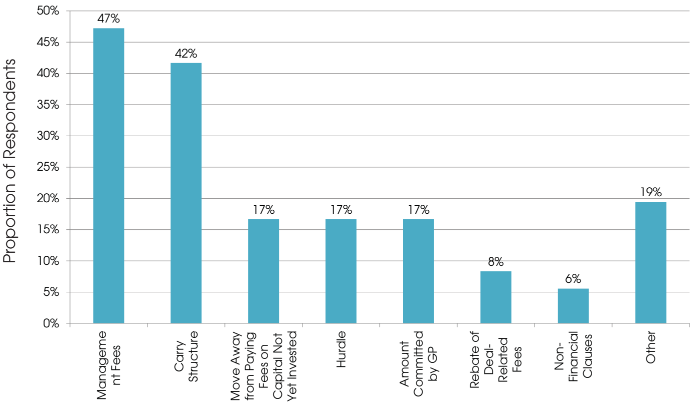
Source: Preqin Investor Outlook: Private Equity, H1 2013

Fig. 2: Extent to Which LPs Believe that GP and LP Interests Are Properly Aligned



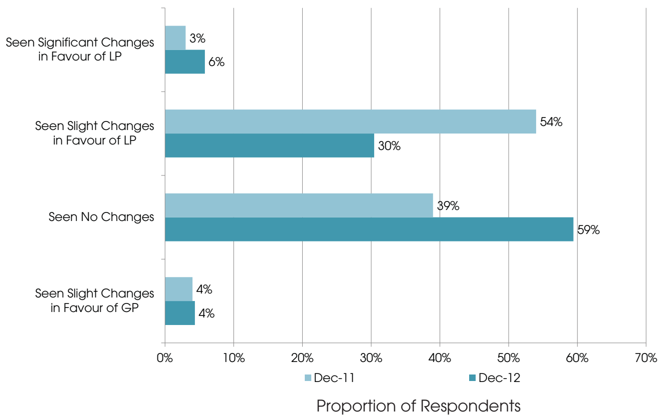
Source: Preqin Investor Interviews, December 2010 - December 2012

Fig. 3: Fund Terms Investors Feel Need to be Amended to Improve LP and GP Relations



Source: Preqin Investor Outlook: Private Equity, H1 2013

Fig. 4: Proportion of LPs that Have Seen a Change in Prevailing Terms Over the Last Six Months



Source: Preqin Investor Interviews, December 2011 - December 2012

Data Source:

This analysis features data from Preqin Investor Outlook: Private Equity, H1 2013, which analyzes the results of Preqin's interviews with 100 leading LPs investing in private equity. The report includes key data on investor activity in 2012, investors' returns expectations, allocations and intentions for 2013, and much more.

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The sample of investors for Preqin Investor Outlook: Private Equity, H1 2013 was drawn from Preqin's Investor Intelligence database, which contains over 4,900 detailed profiles of institutional investors actively investing in private equity.

For more information, or to register for a demonstration, please visit: www.preqin.com/ii

Are Buyout Fund Managers Increasing the Size of Their Funds?

Louise Maddy examines the changes in the size of private equity buyout funds in recent years.

Annual buyout fundraising figures increased for the second consecutive year in 2012, to $91bn compared to $77bn in 2010, reflecting LPs' continued appetite for the fund type. However, GPs currently looking to raise capital from investors still face a challenging fundraising market. Fig. 1 shows that while many GPs are still able to raise funds larger than their immediate predecessor, the degree of growth has been curtailed in recent years. During 2007, over two-thirds (69%) of buyout fund managers closed a fund that was more than 50% larger than its previous fund. This proportion decreased to just over half the funds closed in 2009, and fell to 35% by 2012.

The proportion of buyout funds that are smaller in size compared to the direct predecessor in the series has increased slightly since 2007, when 13% of fund managers decreased their fund size, compared to 19% for buyout funds closed in 2012. In some cases, fund managers, even more established ones, have brought smaller sized funds to market after their preceding fund of a larger size experienced poor performance.

Mega Buyout Funds

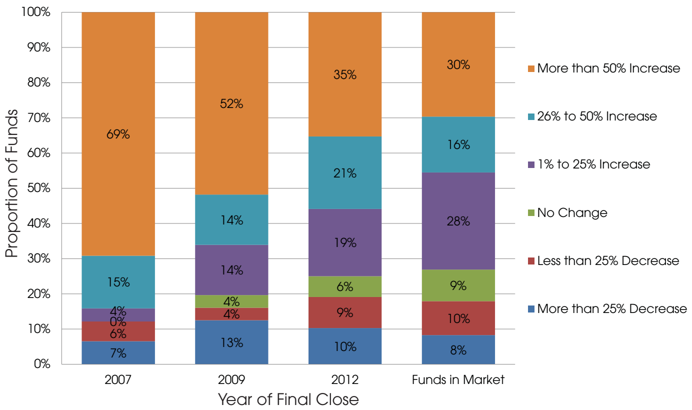
Larger funds still represent a significant proportion of the capital being raised by buyout vehicles. Mega buyout fund managers secured 34% of the buyout capital in 2012 (Fig. 2). Eleven percent of this capital was collected by the €8.5bn Advent Global Private Equity VII, the largest buyout fund to close since the beginning of the economic downturn. The four mega buyout funds to close in 2012 were each at least 10% larger than their immediate predecessor in the series. However, of the seven mega buyout funds currently raising, none are seeking more in aggregate capital than their previous fund, demonstrating that fund managers raising mega buyout funds remain cautious regarding the fundraising opportunities for the year ahead.

Outlook

With 266 buyout funds seeking $238bn, buyout funds currently in market are looking to raise over 2.6 times the amount of capital raised by funds closed in 2012. There are still managers able to raise larger funds than the previous fund in the series, such as Ares Management, which recently raised the buyout vehicle Ares Corporate Opportunities Fund IV. The fund reached a final close in 2012 having raised an aggregate $4.7bn, 34% more than the previous fund in the series. Large firms with established brands, strong track records, steady streams of distributions and a pipeline of compelling new deals are often still able to secure greater capital commitments from investors.

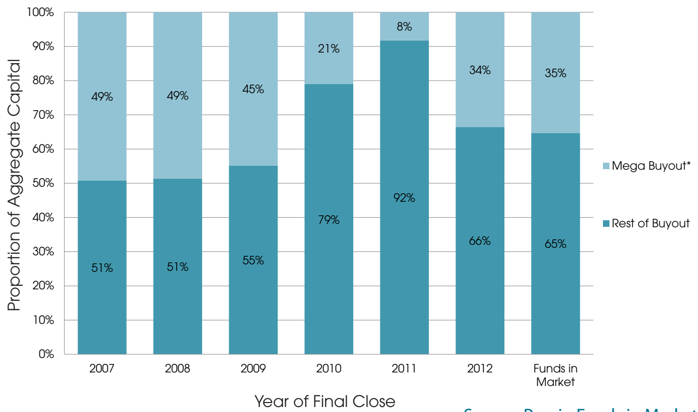
However, 55% of buyout funds currently in market are targeting the same or a smaller amount of capital than the direct predecessor in the series, indicating that many fund managers raising buyout funds still remain cautious. Additionally, until there is a significant increase in exits from portfolio companies, the supply of LP capital commitments to buyout fund managers is likely to remain constricted. In light of the intense competition in the marketplace. buyout fund managers looking to raise capital from investors are more likely to succeed if they can demonstrate a strong track record and compelling offering in order to secure LP investments.

Fig. 1: Size of Buyout Funds Compared to Predecessor Fund: 2007, 2009, 2012 and Funds in Market (As at 11 March 2013)



Source: Preqin Funds in Market

Fig. 2: Proportion of Aggregate Capital Raised by Mega Buyout Funds: 2007 - 2012 and Funds in Market (As at 11 March 2013)*



Source: Preqin Funds in Market

Subscriber Quicklink:

Subscribers to Fund Manager Profiles can click here to see details of the 2,229 buyout-focused private equity firms, including key contact details, fundraising details, known investors, and more.

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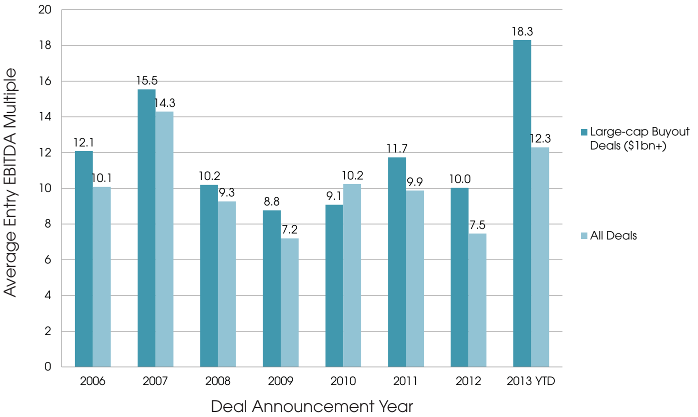
www.preqin.com/fmp

***Buyout Fund Size Ranges:** *Vintage 2005-2012: Small Buyout ≤ $500mn, Mid Buyout $501mn-$1,500mn, Large Buyout $1,501mn-$4.5bn, Mega Buyout > $4.5bn.*

Buyout Deals:
Return of the Mega Buyout?

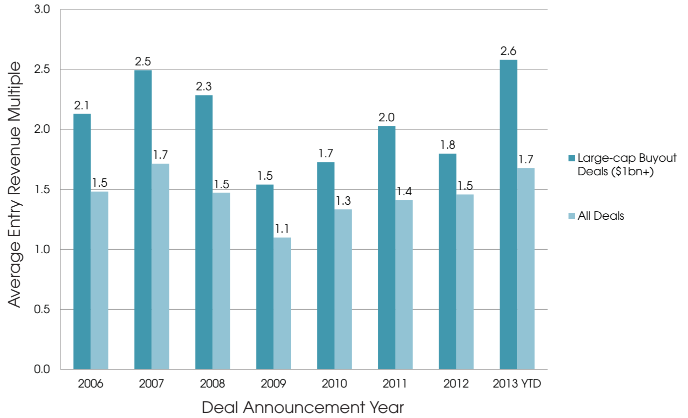
Anna Strumillo takes a closer look at buyout deals, including the average entry EBITDA multiple, average entry revenue multiple, and a breakdown of deals by value band.

Fig. 1: Average Entry EBITDA Multiple: Large-cap Buyout Deals vs. All Deals, Deals Announced 2006 - 2013 YTD (As at 20 February 2013)



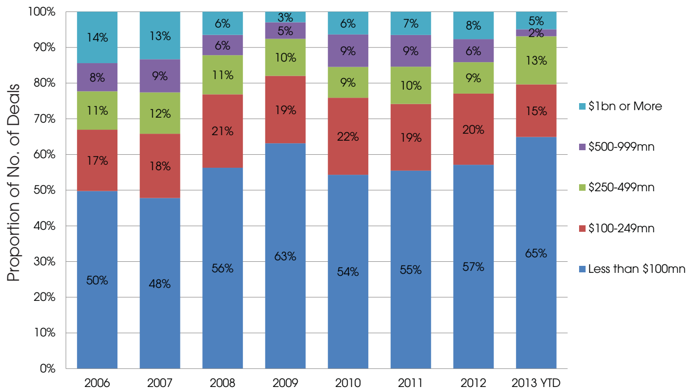
Source: Preqin Buyout Deals Analyst

Fig. 2: Average Entry Revenue Multiple: Large-cap Buyout Deals vs. All Deals, Deals Announced 2006 - 2013 YTD (As at 20 February 2013)



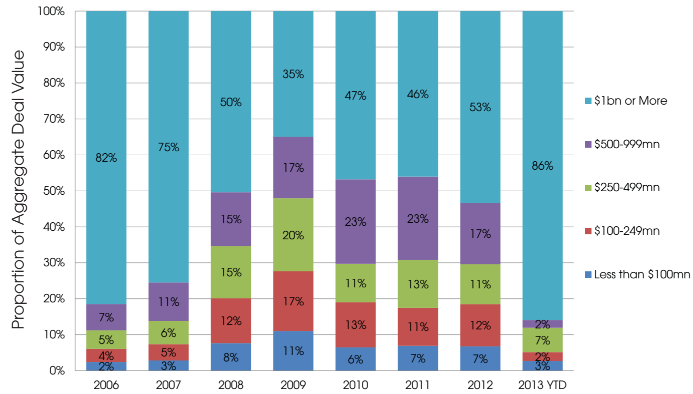
Source: Preqin Buyout Deals Analyst

Fig. 3: Proportion of Number of Private Equity-Backed Buyout Deals by Value Band, 2006 - 2013 YTD (As at 20 February 2013)



Source: Preqin Buyout Deals Analyst

Fig. 4: Proportion of Aggregate Value of Private Equity-Backed Buyout Deals by Value Band, 2006 - 2013 YTD (As at 20 February 2013)



Source: Preqin Buyout Deals Analyst

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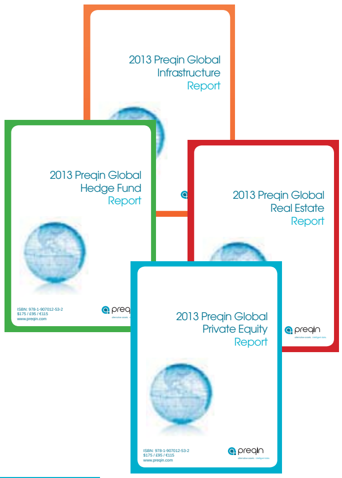

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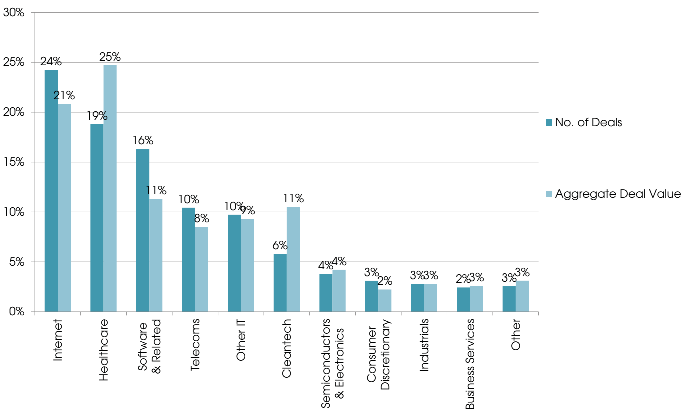
Venture Capital Deals: Industry Trends

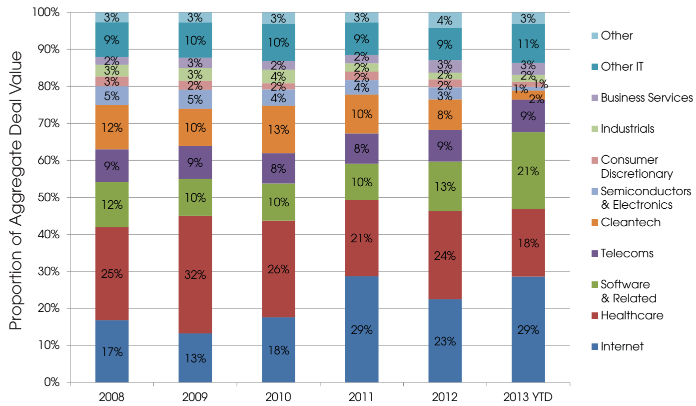
Gemma Morris takes a closer look at the venture capital industry from 2008 to 2013, including breakdowns by industry and region.

Fig. 1: Proportion of Number and Aggregate Value of Venture Capital Deals By Industry, 2008 - 2013 YTD (As at 20 February 2013)



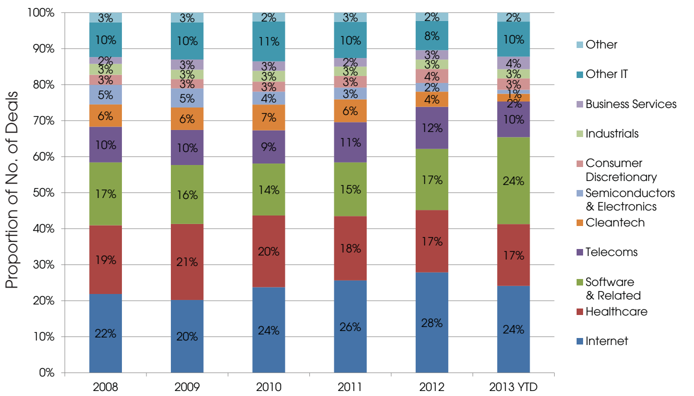
Source: Preqin Venture Deals Analyst

Fig. 2: Proportion of Aggregate Deal Value of Venture Capital Deals by Industry, 2008 - 2013 YTD (As at 20 February 2013)



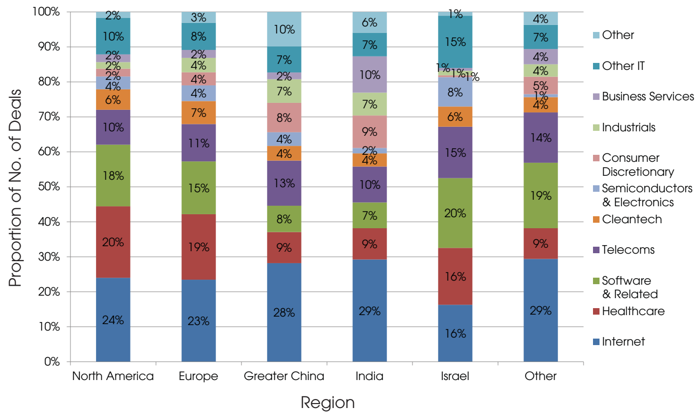
Source: Preqin Venture Deals Analyst

Fig. 3: Proportion of Number of Venture Capital Deals by Industry, 2008 - 2013 YTD (As at 20 February 2013)



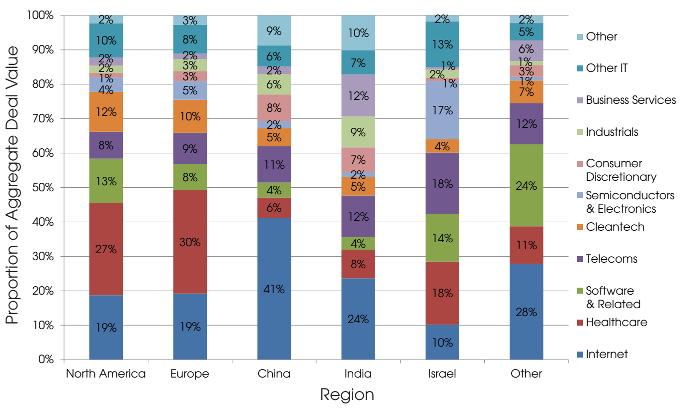
Source: Preqin Venture Deals Analyst

Fig. 4: Proportion of Number of Venture Capital Deals by Industry and Region, 2008 - 2013 YTD (As at 20 February 2013)



Source: Preqin Venture Deals Analyst

Fig. 5: Proportion of Aggregate Deal Value by Industry and Region, Q1 2008 - Q1 2013 TD (As at 20 February 2013)



Source: Preqin Venture Deals Analyst

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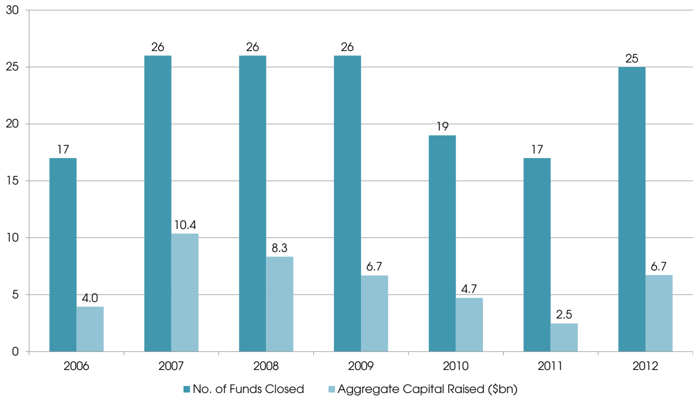
Emerging Markets-Focused Funds of Funds

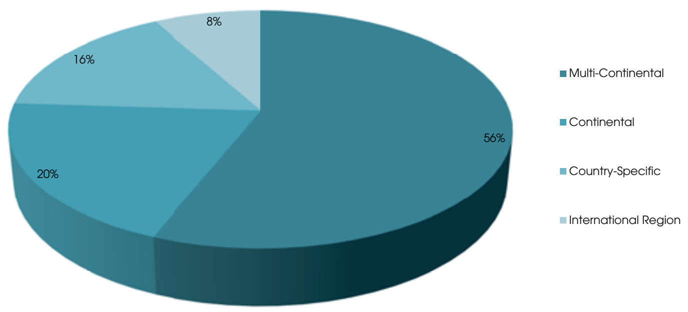
Patrick Adefuye examines emerging markets-focused funds of funds, including historical fundraising figures, breakdowns by geographic focus and manager location, and the current funds in market.

Fig. 1: Annual Emerging Markets-Focused Funds of Funds Fundraising, 2006 - 2012



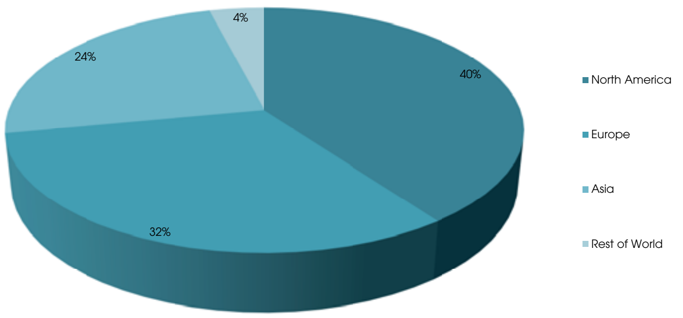
Source: Preqin Funds in Market

Fig. 2: Breakdown of Emerging Markets-Focused Funds of Funds Closed in 2012 by Geographic Scope



Source: Preqin Funds in Market

Fig. 3: Breakdown of Emerging Markets-Focused Funds of Funds Closed in 2012 by Manager Location



Source: Preqin Funds in Market

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Fig. 4: Largest Emerging Markets-Focused Funds of Funds in Market (As at March 2013)

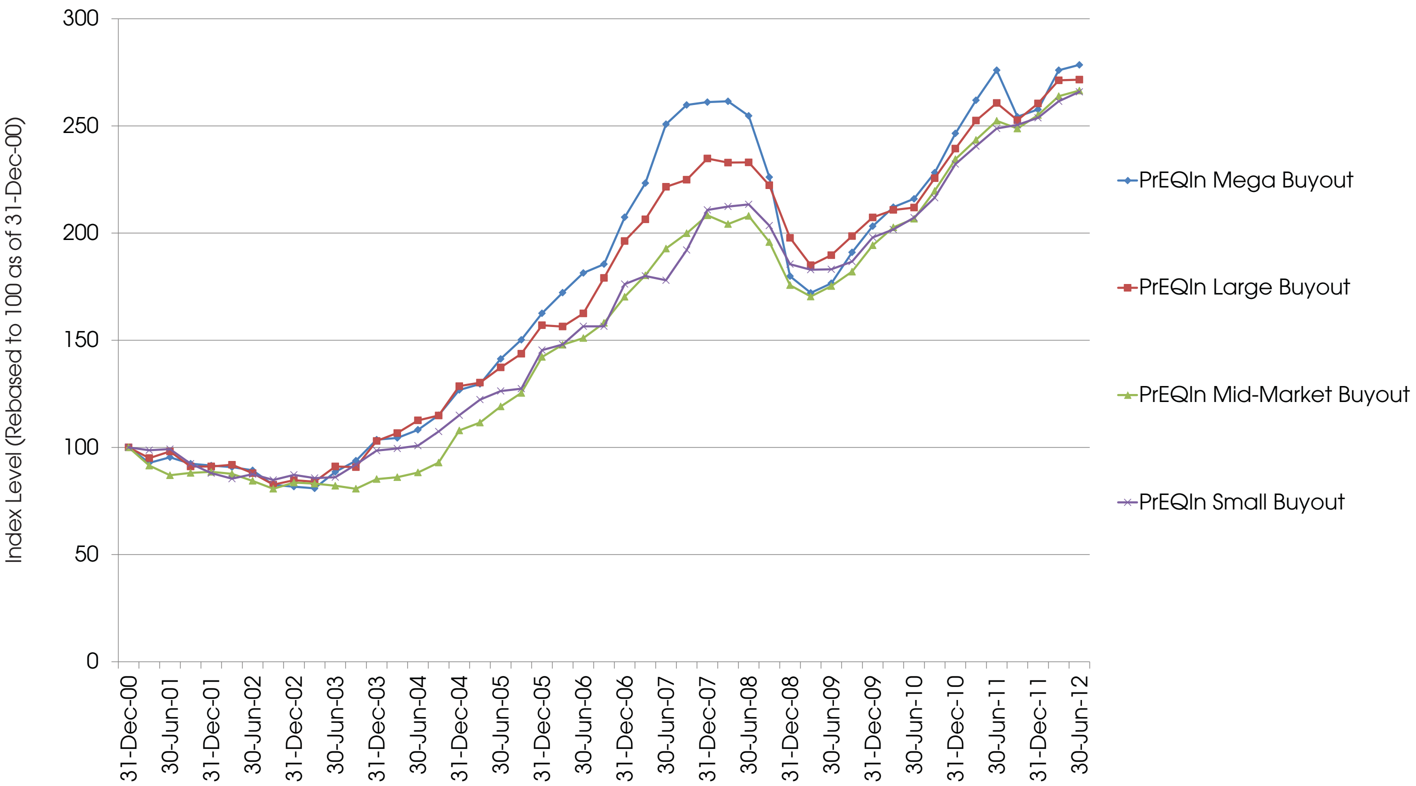
Fund	Vintage Year	Manager	Target Size ($mn)	Geographic Focus
Guochuang Kaiyuan Fund of Funds	2011	China Development Bank Capital	1,545	China
Siguler Guff BRIC Opportunities Fund III	2011	Siguler Guff	1,000	Brazil, China, India, Russia, Emerging Markets
Straits Fund of Funds	2013	Power Capital	794	China
GC Oriza Fund of Funds	2011	Oriza Holdings	772	China
BlackRock Diversified Private Equity Program V	2012	BlackRock Private Equity Partners	750	US, North America, Europe, Asia, Emerging Markets
Northgate V	2011	Northgate Capital	750	US, Global, Emerging Markets, Asia and Rest of World

Source: Preqin Funds in Market

Performance of Buyout Funds by Size

Hayley Wong explores the performance of buyout funds by size using the PrEQIn Index, median net IRRs and horizon IRRs.

Fig. 1: PrEQIn Index by Buyout Fund Size*



Source: Preqin Performance Analyst

Fig. 2: Buyout Funds - Median Net IRR by Fund Size*

Source: Preqin Performance Analyst

Fig. 3: Buyout Funds - Horizon IRRs by Fund Size*

Source: Preqin Performance Analyst

Data Source:

Preqin's Performance Analyst database contains full metrics for over 6,200 named vehicles, including over 1,450 buyout funds. For more information on how Performance Analyst can help you, please visit: www.preqin.com/pa

** Size ranges: Vintage 1992-1996: Small ≤ $200mn, Mid-Market $201-500mn, Large > $500mn*
Vintage 1997-2004: Small ≤ $300mn, Mid-Market $301-750mn, Large $751mn-$2bn, Mega > $2bn
Vintage 2005-2012: Small ≤ $500mn, Mid-Market $501mn-$1,500mn, Large $1.51-4.5bn, Mega > $4.5bn

Conferences Spotlight

Conference	Dates	Location	Organizer
6th Annual Women's Private Equity Summit	14 - 15 March 2013	Half Moon Bay, CA	Falk Marques Group
Private Equity Investors Forum 2013	14 - 15 March 2013	New York	US Markets
9th Annual London Business School Private Equity & Venture Capital Conference	15 March 2013	London	London Business School
SuperReturn China	8 - 11 April 2013	Beijing	ICBI
Annual Private Equity Investing Conference	10 - 12 April 2013	Arizona	Thunderbird
4th Annual Clean Technology Investment World Asia 2013	15 - 18 April 2013	Singapore	Terrapinn
European Asset Allocation Under Solvency II	18 - 19 April 2013	Frankfurt	Marcus Evans Group
Private Equity Secondaries	24 April 2013	London	C5

Clean Technology Investment World Asia 2013

Date: 15-18 April 2013
Location: Singapore
Organiser: Terrapinn Singapore

Information: www.terrapinn.com/cleantechasia

The 4th Annual Clean Technology Investment World Asia 2013 is where major cleantech stakeholders & investors across 14 countries share their proven strategies. Dubbed as Asia's most established and influential cleantech conference, this event platform is where clean tech investors, innovators & financiers across Asia gather to discuss partnership, investment & capital raising.

Europe Asset Allocation under Solvency II

Date: 18-19 April 2013
Location: Frankfurt
Organiser: Marcus Evans

Information: www.marcusevans-conferences-paneuropean.com/pq_spotlight

This Marcus Evans conference will demonstrate how insurers and asset managers can develop asset allocation strategies which not only ensure compliance with Solvency II, but are optimised to provide a competitive advantage.

Private Equity Secondaries

Date: 24 April 2013
Location: London
Organiser: C5 Communications

Information: www.c5-online.com/sec

Secondaries are on a fast track for yet another record year. Fund Managers have been pleasantly surprised with the returns currently on offer. As a decision maker already operating in or looking to enter the high-return secondaries market, C5's Private Equity Secondaries Conference offers you a unique and invaluable opportunity to meet and network with the leading institutional investors, fund of funds, secondaries and intermediaries.