

# PRIVATE EQUITY SPOTLIGHT

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Welcome to the latest edition of *Private Equity Spotlight*, the monthly newsletter from Private Equity Intelligence, providing insights into private equity performance, investors and fund raising. Private Equity Spotlight combines information from our online products Performance Analyst, Investor Intelligence and Funds in Market.

## FEATURE ARTICLE \_\_\_\_\_ P1

**You Ain't Seen Nothing Yet:** like the economists who have successfully predicted six of the last two recessions, commentators are always ready to call the top of the private equity market. In this month's guest column Ian Armitage, CEO of Hg Capital, presents an alternative view.

## PERFORMANCE SPOTLIGHT \_\_\_\_\_ P3

Distressed Debt funds have delivered excellent returns to LPs. Spotlight examines the track record.

## FUND RAISING \_\_\_\_\_ P4

Private equity fund raising remains buoyant. Since the beginning of the year, a total of 309 funds have raised over \$218 billion in aggregate commitments. In addition to buyout and venture funds, we also examine the buoyant mezzanine fund raising market.

No. of Funds on Road	US	Europe	ROW	Total
Venture	141	54	72	267
Buyout	104	45	35	184
Fund of Funds	64	38	7	109
Other	63	17	13	93
Total	445	180	149	774

## INVESTOR SPOTLIGHT \_\_\_\_\_ P7

This month we focus on the investors in the burgeoning private equity infrastructure fund sector.

⇒ An overview of LPs investing in private equity infrastructure.

⇒ Who are the biggest investors?

⇒ Where are they investing?

⇒ How are their strategies changing?



## INVESTOR NEWS \_\_\_\_\_ P13

All the latest news on investors in private equity:

- **CalSTRS** reports an annual return of 32.2% from alternatives
- **Kenwood Investments** launches USD 500 million fund of funds vehicle
- **Altius Associates** announces maiden fund of funds vehicle

**\*NEW\***

The 2006 Limited Partner Universe

More information available at:

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PERFORMANCE · INVESTORS · FUND RAISING

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# PRIVATE EQUITY SPOTLIGHT

## Feature Article: Private Equity – You Ain't Seen Nothing Yet:

We have seen some commentators predicting a pending bust in the private equity industry due to the recent spate of fund raising. However, like most comments about the economic cycle, while it might make a good headline, it is simplistic and lacks real insight. A better explanation is that the growth in private equity funds can be attributable to an economically rational reallocation of resources or assets from the management of quoted fund managers to managers of unlisted securities, and that this trend has a lot further to run.

The private equity industry has been showing some impressive figures lately. Blackstone recently announced it had raised \$15.6 billion for its latest fund, making a total of \$30 billion of fund raising in the last year, only \$2 billion less than the total it has raised in aggregate in the previous 19 years. Permira too is set to close its latest fund at over \$14 billion. And at my firm HgCapital, which invests in the faster growing companies in Europe's mid-market, we raised a third more than our target, with a final close of just under \$2 billion for our European buy-out fund in March.

With this recent fund inflow, some commentators have thought this to be a sign of imminent disaster. They believe that the industry is vulnerable for two main reasons. Firstly, dealing with large sums of money with leverage often in the hands of people lacking experience raises concern. They argue that this inevitably produces a boom which must be followed by a crash. Secondly, some predict that the industry will be unable to maintain its current rate of high returns. This is perceived by commentators to be a result of there being only a limited pool of opportunities and of exceptionally talented managers, which have now been fully utilised. Both of these are not new concerns and any capable private equity firm will be fully aware of these pitfalls. But the commentators neglect to acknowledge some important facts.

Private equity is still young, despite having matured from its 'adolescent' stages. These funds may look large but they are tiny when compared to the capital locked up in the quoted market. Although private equity funds under management have grown worldwide, they are still only a very small amount when compared to giants such as Nasdaq and the NYSE, which are worth more than \$8,000 billion. This means that the size of the pool of capital is still small relative to the opportunity to invest. In addition, we should not forget that thousands of privately held companies are the bedrock of many economies.

***"10 years ago prevailing wisdom stipulated that private equity was simply too risky. However, those who did allocate capital to private equity, in the face of adversity, have been rewarded through good returns"***

Are there grounds for cautious optimism in the future?

10 years ago the prevailing wisdom stipulated that private equity was simply too risky.

However, those who did allocate capital to private equity, in the face of adversity, have been rewarded through good returns, as global returns from private equity have consistently exceeded those from listed equities. All this indicates that historically, the private equity industry has managed to adapt to new challenges such as recessions, dotcom bubbles, deteriorating business environments, and it has been able to deliver results. There are of course no guarantees for the future but often in these cases, success breeds more success provided it is accompanied by a lack of complacency.

# PRIVATE EQUITY SPOTLIGHT

Over time, we have also learned to be better buyers of businesses. We would certainly regret it if we began to buy into deals too quickly and without due care. While we do operate in tighter markets and we may very well use more leverage on some of our investments than we did before (and more than listed companies do), this is not all we do. Over the past decade, our techniques for collecting data, for evaluating management and analysing businesses have improved and matured.

Our style of ownership has also developed over time. Because private equity better aligns the interests of owners and managers, it is more attractive to the management talent we wish to work with. Entrepreneurial managers in the quoted market are being driven to private equity because of the problem of divorce between owners and managers that we see all too often in listed companies. Every modification to the corporate governance codes or to the Companies Act and every example of green-eyed people whingeing about private equity rewards strengthens the entrepreneur's resolve to move to private equity and this trend will continue until legislators start understanding the real world.

Furthermore, managers' behaviours change when they make the move to private equity. They use their experience and become mentors of others, thus expanding the pool of good managers. They are owners and will work even harder than before. In an environment where each incremental pound of profit at the margin is probably worth on average £2 to the team's share in the equity value created, managers learn new tricks such as making changes faster and being more focussed and aggressive with new product development. In this environment they can ignore everything except the customer, their staff and their own goals and milestones. Analysts, the press, and short-term shareholders become inconsequential.

There is clear disparity of returns between the quoted and unquoted sectors, and we believe capital will continue to transfer to us and move away from the quoted sector. Ultimately, returns of private equity will become diluted and revert to the mean. This is inevitable. But I think we are a long way away from that point and until such a time we will continue to see big funds in the market and good returns for investors.

***We are grateful for Ian Armitage, CEO of HgCapital for this month's feature article.***

***For more information please visit***

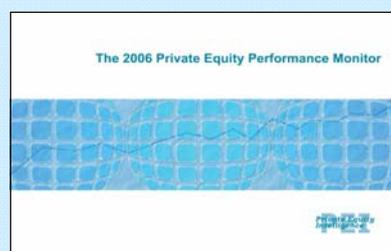
***[www.hgcapital.net](http://www.hgcapital.net)***

## 2006 Performance Monitor

The annual Performance Monitor is the most comprehensive analysis of the performance of private equity funds globally. See detailed breakdowns of the net returns by fund type and geography, as well as transparent fund-by-fund returns for over 2,700 individual funds worldwide – see who *really* has delivered consistent top-quartile performance.

More information available at:

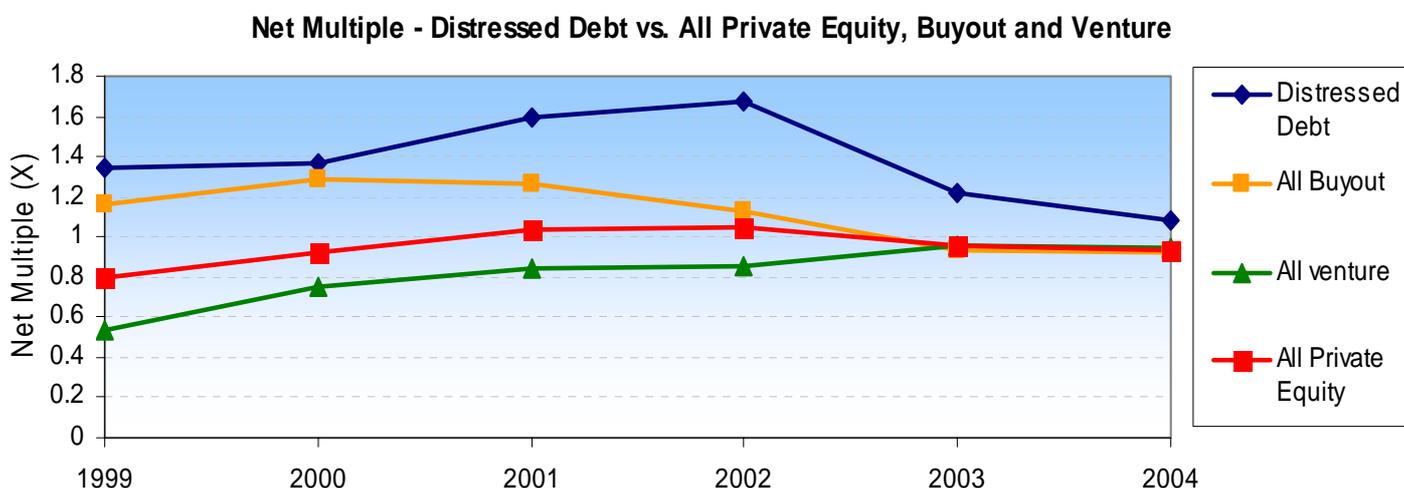
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# PERFORMANCE SPOTLIGHT

**Performance Spotlight** is your monthly update on Private Equity Performance. Each month we look at the performance for a particular type of fund and give you information on some of the top performing funds.

## PERFORMANCE OF DISTRESSED DEBT FUNDS



Figures show Median Multiples from inception to latest date now available for funds by vintage year. Multiples are calculated on a net basis to LPs, i.e. after management fees and GP carry.

## PERFORMANCE COMMENTARY

This month Spotlight looks at the performance of Distressed Debt funds. Private Equity Intelligence has identified 56 General Partners, managing a total of 141 Distressed Debt funds. Performance Analyst customers can access performance data for 64 Distressed Debt funds.

The graph above compares the performance of Distressed Debt funds against the Buyout, Venture and All Private Equity benchmark for the period 1999 to 2004. The chart shows Net Multiples, which is an intuitive way to evaluate how many times investors are likely to get their money back from their private equity investments. We can clearly see that Distressed Debt funds perform very well, as they have produced superior returns than both the Venture and Buyout categories or even the Private Equity industry taken as a whole.

Private Equity Intelligence benchmarks Distressed Debt funds against All Private Equity funds. Using this benchmark methodology, it is interesting to note that not a single Distressed Debt fund fell into the bottom quartile ranking and only one fund was ranked third quartile for the vintage years 1999-2003. In fact 66% of the funds were ranked top quartile and 31% second quartile.

Distressed Debt is a relatively small area within the private equity industry, but investors should consider this sector seriously as it has clearly performed very well in relation to other funds.

The table below summarizes the net performance of some of the best Distressed Debt funds proving that this asset class is generating healthy returns.

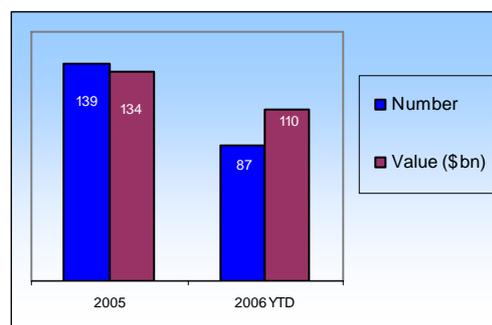
Fund	Vintage	Fund Size (Mn)	Called (%)	Distr. (%)	Value (%)	Multiple (X)	IRR (%)	Date
AG Capital Recovery Partners IV	2003	1000 USD	71.0	40.0	108.0	1.4x	29.8	31-Dec-05
OCM Opportunities Fund IV-B	2002	1505 USD	50.7	216.2	21.9	2.3x	45.2	31-Dec-05
MHR Institutional Partners II	2002	600 USD	71.3	55.6	106.9	1.6x	46.3	31-Dec-05
WLR Recovery Fund II	2002	400 USD	76.8	189.1	119.5	3.0x	98.6	31-Dec-05
Avenue Special Situations II	2001	520 USD	103.1	144.7	8.0	1.5x	18.5	31-Dec-05

# FUNDS in MARKET — Buyout

## BUYOUT FUNDS ON THE ROAD

	US	Europe	ROW	Total
<b>No. on Road</b>	104	45	35	<b>184</b>
<b>Total Target Value (\$bn)</b>	97	39	21	<b>157</b>
<b>Average Target Size (\$mn)</b>	932	861	603	<b>852</b>

## FINAL CLOSES BAROMETER



## LARGEST BUYOUT FUNDS CURRENTLY ON ROAD

Fund	Manager	Target Size (Mn)	Location
KKR Fund 2006	Kohlberg Kravis Roberts	15,000 USD	US
Texas Pacific Group Partners V	Texas Pacific Group	15,000 USD	US
Permira IV	Permira	11,000 EUR	Europe
Gulf One Fund	Gulf One	10,000 USD	Middle East
Thomas H Lee VI	Thomas H Lee Partners	7,500 USD	US
3i Europe Partners V	3i	5,000 EUR	Europe
JC Flowers II	JC Flowers & Co	4,000 USD	US
Terra Firma Capital Partners III	Terra Firma Capital Partners	3,000 EUR	Europe
JW Childs Equity Partners IV	J.W. Childs Associates	3,500 USD	US
Berkshire Fund VII	Berkshire Partners	3,000 USD	US

## SAMPLE BUYOUT FUNDS CLOSED DURING JULY 2006

### Blackstone Capital Partners V:

**Manager:** Blackstone Group  
**Target Size (mn):** 13,500 USD  
**First Close (mn):** 10,280 USD (Oct-2005)  
**Second Close (mn):** 12,000 USD (Nov-2005)  
**Final Close (mn):** 15,600 USD (July-2006)  
**Geographic Focus:** Global  
**Industry Focus:** Any  
**Placement Agent:** Park Hill Group  
**Sample Investors:** CalPERS, Minnesota Mining and Manufacturing Company Pension Plan, San Diego County Employees Retirement

### GI Partners II:

**Manager:** GI Partners  
**Target Size (mn):** 1,300 USD  
**Final Close (mn):** 1,450 USD (July-2006)  
**Geographic Focus:** North America, Europe  
**Industry Focus:** Property, Technology, Telecoms, Healthcare, Media, Financial Services, Property, Leisure, Entertainment, Logistics, Infrastructure  
**Sample Investors:** Abu Dhabi Investment, ATP, CalPERS, CalSTRS and Oregon Public Employees' Retirement Fund

### Lindsay Goldberg & Bessemer II:

**Manager:** Lindsay Goldberg & Bessemer  
**Target Size (mn):** 2,500 USD  
**Final Close (mn):** 3,100 USD (July-2006)  
**Geographic Focus:** North America, Europe  
**Industry Focus:** Any  
**Placement Agent:** Merrill Lynch  
**Sample Investors:** New Jersey State Investment Council

### TDR Capital II:

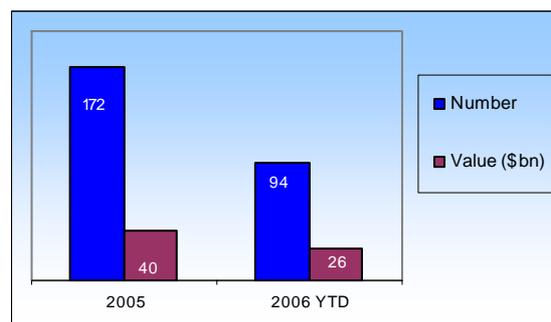
**Manager:** TDR Capital  
**Target Size (mn):** 1,000 EUR  
**Final Close (mn):** 1,750 EUR (July-2006)  
**Geographic Focus:** West Europe  
**Industry Focus:** Any  
**Placement Agent:** Lazard Private Fund Advisor  
**Sample Investors:** Bank of Scotland, F&C Asset Management, Nordea Private Equity, Northwestern Mutual Life Insurance Company and Washington State Investment Board

# FUNDS in MARKET — Venture

## VENTURE FUNDS ON THE ROAD

	US	Europe	ROW	Total
<b>No. on Road</b>	142	54	73	<b>269</b>
<b>Total Target Value (\$bn)</b>	29	7	17	<b>53</b>
<b>Average Target Size (\$mn)</b>	203	139	227	<b>196</b>

## FINAL CLOSES BAROMETER



## LARGEST VENTURE FUNDS CURRENTLY ON ROAD

Fund	Manager	Target Size (Mn)	Location
DIB Media & Telecommunications Fund	Dubai Islamic Bank	1,000 USD	UAE
Matrix Partners VIII	Matrix Partners	1,000 USD	US
MPM BioVentures IV	MPM Capital	650 USD	US
FTVentures III	FTVentures	600 USD	US
Column Group Venture Partners I	Column Group	500 USD	US
DIB General Industrial and Technology Fund	Dubai Islamic Bank	500 USD	UAE
DIB Health and Education Fund	Dubai Islamic Bank	500 USD	UAE
Panorama Capital	Panorama Capital	500 USD	US
Vertex India China Pre-IPO Equity Fund	Vertex Venture Holdings	500 USD	Asia
Pequot IV	Pequot Capital Management	500 USD	US

## RECENTLY CLOSED VENTURE FUNDS

### New Enterprise Associates XII:

**Manager:** New Enterprise Associates  
**Target Size:** 2,500 USD  
**Final Close (mn):** 2,500 USD (July-2006)  
**Geographic Focus:** North America, Global  
**Industry Focus:** Pharmaceuticals, Healthcare, Communications, IT, Biotechnology, Electronics, Hardware, Biomedical  
**Sample Investors:** Key Capital Corporation, Meyer Memorial Trust and SERS

### CDH China III:

**Manager:** CDH China Holding Management  
**Target Size:** 210 USD  
**Final Close (mn):** 200 USD (July-2006)  
**Geographic Focus:** China, Asia  
**Industry Focus:** Any  
**Sample Investors:** International Finance Corporation

### Palamon European Equity II:

**Manager:** Palamon Capital Partners  
**Target Size (mn):** 650 EUR  
**First Close (mn):** 410 EUR (Jun-2005)  
**Final Close (mn):** 650 EUR (Jun-2006)  
**Geographic Focus:** West Europe  
**Industry Focus:** Consumer Services, Communications, Media, Financial Services, Software, Entertainment  
**Sample Investors:** AlInvest, Macquarie Funds Management, Oregon Public Employees' Retirement Fund, Oregon State Treasury and Washington State Investment Board

### Greylock Israel:

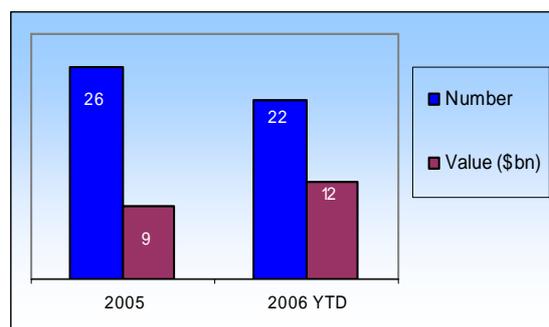
**Manager:** Greylock  
**Target Size (mn):** 150 USD  
**Final Close (mn):** 150 USD (July-2006)  
**Geographic Focus:** Israel  
**Industry Focus:** Any

# FUNDS in MARKET — Mezzanine

## MEZZANINE FUNDS ON THE ROAD

	US	Europe	ROW	Total
<b>No. on Road</b>	17	4	5	<b>26</b>
<b>Total Target Value (\$bn)</b>	7	2	1	<b>10</b>
<b>Average Target Size (\$mn)</b>	411	500	200	<b>385</b>

## FINAL CLOSES BAROMETER



## LARGEST MEZZANINE FUNDS CURRENTLY ON ROAD

Fund	Manager	Target Size (Mn)	Location
TCW / Crescent Mezzanine IV	TCW Group	1,200 USD	US
Axa Mezzanine	AXA Private Equity	700 EUR	Europe
Hutton Collins Mezzanine Partners II	Hutton Collins	550 EUR	Europe
Churchill Capital Partners VI	Churchill Capital	650 USD	US
New York Life Mezzanine Partners II	New York Life Capital Partners	600 USD	US
Audax Mezzanine Fund II	Audax Group	500 USD	US
KPP Investors III	Key Principal Partners	500 USD	US
Mezzanine Management Fund IV	Mezzanine Management UK	500 USD	UK

## SAMPLE RECENTLY CLOSED MEZZANINE FUNDS

### ABRY Mezzanine Partners II:

**Manager:** ABRY Partners  
**Target Size (mn):** 650 USD  
**Final Close (mn):** 650 USD (May-2006)  
**Geographic Focus:** North America  
**Industry Focus:** Technology, Telecoms, Media  
**Sample Investors:** New York State Teachers' Retirement System

### IFE Fund II:

**Manager:** IFE Conseil  
**Target Size (mn):** 300 EUR  
**First Close (mn):** 150 EUR (July-2006)  
**Final Close (mn):** 300 EUR (July-2006)  
**Geographic Focus:** France, West Europe  
**Industry Focus:** Any  
**Placement Agent:** IXIS CIB  
**Sample Investors:** CDC Group

### M Cap Finance Deutsche Mezzanine:

**Manager:** M Cap Finance  
**Target Size (mn):** 150 EUR  
**Second Close (mn):** 100 EUR  
**Final Close (mn):** 150 EUR (July-2006)  
**Geographic Focus:** Austria, Germany, Switzerland  
**Industry Focus:** Any  
**Sample Investors:** AXA Private Equity, CFH - Sachsen LB Corporate Finance Holding and Saar LB

### Almack Mezzanine I:

**Manager:** Babson Capital Europe  
**Target Size (mn):** 750 EUR  
**Final Close (mn):** 800 EUR (July-2006)  
**Geographic Focus:** Europe  
**Industry Focus:** Any  
**Placement Agent:** Citigroup Global Markets  
**Sample Investors:** Finama Private Equity

Every month the Funds in Market Spotlight includes the largest ten funds being raised in the venture and buyout categories as well as the ten largest funds in another category of private equity. This month we show mezzanine funds. A full list of the over 700 funds currently being raised can be viewed on our online database, Funds in Market.

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# INVESTOR SPOTLIGHT

*Investor Spotlight* is your monthly update on investors in Private Equity. See how key investors are changing their allocations and which new investors are coming into the market. Each month we analyse investors in a specific segment - this month we look at the potential investors in private equity infrastructure funds.

The market for infrastructure related private equity investing is growing. Competition for limited partner dollars intended for infrastructure related investments is hotting up with the asset management units of ABN Amro, Deutsche Bank and Goldman Sachs all developing new infrastructure investment offerings.

Limited partners such as CalSTRS, Illinois State Board of Investment and the World Bank have all recently expressed the desire to build on their holdings in private infrastructure related funds. Indeed, The World Bank Group Staff Retirement Plan has an allocation of 4% of total assets to infrastructure funds, equating to around USD 480 million. It is optimistic about the current private equity market and as a result is looking to increase its target allocation over the next few years.

Private Equity Intelligence's Funds in Market database identifies 17 infrastructure funds currently on the road targeting aggregate commitments of no less than USD 16 billion. Certainly Morgan Stanley is confident of LP enthusiasm for infrastructure funds as it has most recently launched a USD 3 billion fund raising effort focusing on infrastructure investments in the US and according to Private Equity Insider could already be working on the first investment for this new fund. This latest fund raising effort comes as part of the bank's expansion of its broader infrastructure business.

Another infrastructure fund manager recently in the market is Conduit Capital Partners. The firm's third infrastructure fund focusing on Latin America has experienced a successful fundraising period with commitments from big-name investors such as TIAA-CREF and Duke University Investment Management Company. The fund, Latin Power III, which closed on

USD 382 million, plans to make 10-15 controlling-stake investments in medium sized power generation plants primarily in Mexico, Central America, Peru and Chile.

Certainly enthusiasm for infrastructure funds can be seen amongst Australian LPs with this sector being one of the most developed fields of private investment in the country. It is, however, not only domestic infrastructure funds which are attracting these LPs - both the Australian Post Superannuation Scheme and Australia's MTAA Superannuation Fund were also LPs in Latin Power III. The Australian Post Superannuation Scheme, advised by Russell Investment Group, has a substantial alternative investment portfolio including a sizeable allocation to private infrastructure funds headed by both Australian and international fund managers.

Looking at US academic institutions, Baylor University Endowment of Texas has also shown particular interest in infrastructure funds with the majority of commitments made in 2005 being to these vehicles. The endowment, with approximately USD 900 million under management, has a 40% allocation to alternatives, of which 10.5% is targeted towards private equity fund investments. Another US academic institution expressing an interest in infrastructure is the University of Florida Foundation. The foundation has over USD 250 million committed to private equity and to date has invested solely in North America.

Moving from the US to Canada, the Local Authorities Pension Plan (LAPP) is another active investor in infrastructure. During the course of 2005 LAPP increased its allocation to alternatives to 27.5% of total

# INVESTOR SPOTLIGHT

assets, comprising a 5% allocation to infrastructure funds. LAPP avoids direct infrastructure related investments and reduces risk by limiting its holdings in each single fund.

Fund of funds managers are also showing increased interest in infrastructure opportunities. One such manager, Germany's Ampega Asset Management, has historically had a preference for investing in buyouts, however new investments will include commitments to infrastructure and turnaround funds. Fellow fund of funds manager, Denmark's ATP Private Equity Partners, has also shown an interest in infrastructure focused funds with a commitment in 2005 to LS Power Equity Partners. No less than half of ATP PEP's portfolio is invested in industry specific funds including those focusing on infrastructure opportunities.

Also in Europe, City of Zurich Pension Fund (PKZH) is another investor currently evaluating the merits of infrastructure funds. PKZH has an allocation of 3.1% to the private equity asset class with a long term goal to increase this to 5%. For the next twelve months PKZH believes that 7 to 10 new fund investments are likely. All private equity fund investment decisions are made on the advice of Strategic Capital Management (SCM).

Certainly the case of Alinda Capital underlines the promise some LPs see in the infrastructure sector. New York buyout shop, Alinda Capital, which has a focus on infrastructure investments is targeting USD 1 billion for its latest fund, however, this target could be set to rise due to a particularly positive response from one European institutional investor. The institution is prepared to commit up to USD 500 million to the fund and this being the case, Alinda may increase its target to USD 1.5 billion so that its anchor investor does not end up with a disproportionately large share of the fund. Alinda will invest directly in a range of infrastructure projects in North America and Europe and is expected to hold a first close on USD 250 million this month.

Thus enthusiasm for infrastructure investments can be seen across the spectrum of institutional investors and across geographies.

## RECENTLY UPDATED PROFILES

The investor profiles on the Investor Intelligence database are updated and reviewed on a regular basis. Private Equity Intelligence contacts investors regularly to make sure the profiles hold correct and up-to-date information.

# Product Spotlight: The 2006 LP Universe

Each month Spotlight takes a closer look at one of the many products and services provided by Private Equity Intelligence, exploring the features offered; how it can help you in your job; who uses it and how you can get it.

**This month:** The 2006 Limited Partner Universe

The new and expanded **2006 Limited Partner Universe** is the world's most comprehensive hard-copy directory of private equity LPs. Concise profiles for the 1,250 leading LPs give you the vital information you need to succeed in your fund-raising:

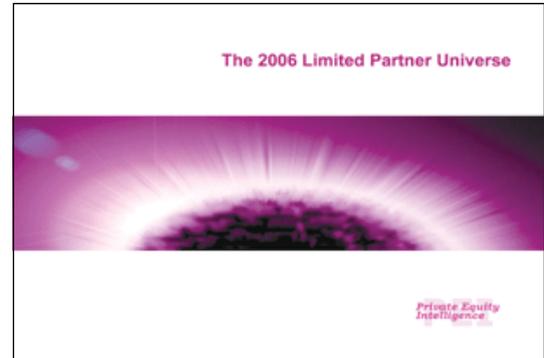
- Assets under management
- Current and target allocations to private equity
- Existing portfolio: number of funds, bite size, sample investments
- Current areas of interest by fund type and geography
- Investment plans and likely commitments for next 12 months
- Key contacts and contact details

The image displays several screenshots of the 2006 Limited Partner Universe database. The main screenshot shows a table titled 'Table 2: Top 50 LPs By Capital Available For Commitment'. The table has columns for 'Limited Partner', 'Country', 'Fund Type', 'Year Assets Available', 'Capital Available for Commitment', and 'Investing in Private Equity?'. Other screenshots show detailed profiles for individual LPs, including their investment focus, geographic preferences, and contact information.

## WHO USES IT AND WHY?

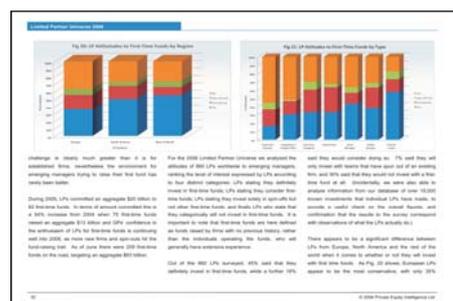
The Limited Partner Universe has become a 'must-have' for GPs, placement agents, secondaries investors and others:

- GPs use it to gain insight into their existing LPs and to search for the best new LPs for their fund-raising efforts
- Placement agents use it to keep up with developments in the global LP community, and to find LPs for their clients
- Secondaries investors use it for business prospecting



Benefit from thorough and detailed analysis of the key trends shaping LPs' investment in private equity:

- Where are the investment dollars coming from, by type, location and size of LP?
- How are LPs' allocations changing, and where is the growth coming from?
- Which types of LP invest most in each type of fund – venture, buyout, distressed, fund-of-funds and more?
- Which LPs are the strongest supporters of emerging managers?
- Why are LPs focusing their portfolios on fewer managers? What are the implications for GPs?
- League tables of the largest LPs by type and location



## HOW CAN I GET IT?

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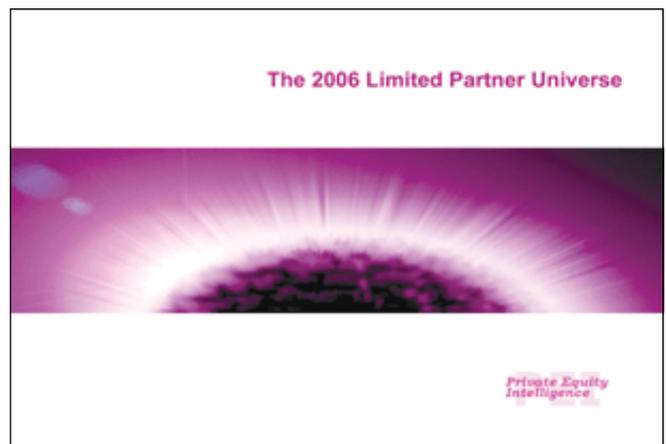
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  - Detailed analysis of the LP universe to help you identify the best target for your fund.
  - League tables: largest LP investors by type and location, target allocation and more

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# INVESTOR NEWS

**CalSTRS** has reported an annual return of 13.2% for the year ending June 30th, 2006, according to Private Equity News. This places CalSTRS just ahead of fellow Californian public pension fund, CalPERS which produced a 12.3% return for the same period. CalSTRS saw greatest gains in real estate, alternative investments and international stocks. Alternative assets including private equity beat their custom benchmark, returning 32.2%. These returns come at the same time as the fund's board has postponed a decision on whether to increase its combined allocation to real estate and private equity from 12% to 20%.

California-based **Kenwood Investments** is attempting to raise USD 500 million for a fund of funds vehicle that will invest in real estate funds outside the US. Kenwood is raising this fund of funds in parallel with another smaller real estate focused fund that will invest directly in properties in the US.

UK-based **Altius Associates** has announced plans to launch its first fund of funds vehicle targeting USD 200 million, according to Private Equity Insider. Prior to this, Altius Associates has focused solely on advisory services and the handling of non-discretionary assignments. Altius, aware of a possible conflict of interests, has stressed to its existing clients that its new vehicle will not infringe on its key role as an advisor and has agreed to cap its fund of funds business if it ever threatens to hurt its clients' access to the private equity funds in which it invests.

The **Multilateral Investment Fund (MIF)**, an economic-development agency has made a USD 5 million commitment to the first venture fund coming out of Argentina since the country's economic crisis in 2002. The commitment was made to Buenos Aires firm TGLT Ventures which is targeting USD 30 million for its first fund which will invest in technology, service-oriented and agriculture related companies, according to Private Equity Insider. MIF is run by Inter-American Development Bank in Washington.

**Lincoln National Life Insurance Company** has been plowing the proceeds from its 2002 secondary sale of fund interests back into the private equity asset class. So far this year Lincoln has already pledged USD 160 million to a variety of buyout and venture funds and intends to commit a further USD 40 million by the end of the year. In particular, Lincoln is looking at opportunities of investing in secondary market vehicles.

**Foreign & Colonial Investment Trust (FCIT)** has announced that it plans to make GBP 75 million worth of private equity fund commitments annually as it aims to reach its new 10% target allocation to the asset class by 2009-2013. The GBP 2.5 billion FCIT is particularly keen to increase its holdings in Asia-focused funds, having recently committed to such funds managed by fund of funds managers Pantheon and HarbourVest.

**Each month Spotlight provides a selection of the recent news on LP investors. More news and updates are available online for Investor Intelligence subscribers.**

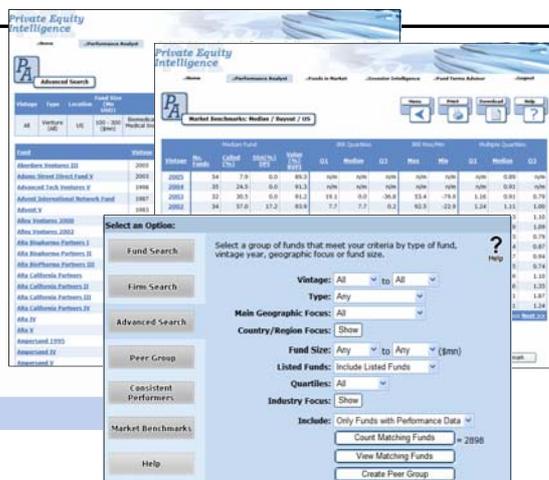
**Contact us for more information - [info@preqin.com](mailto:info@preqin.com)**

# In the spotlight: Private Equity Intelligence

Private Equity Intelligence is a financial information business focused on the private equity industry. We provide private equity and venture capital firms, fund-of-funds, investors and advisors with products and services within four main areas: **Fund Performance, Investors, Fund Raising and Research & Consulting**.

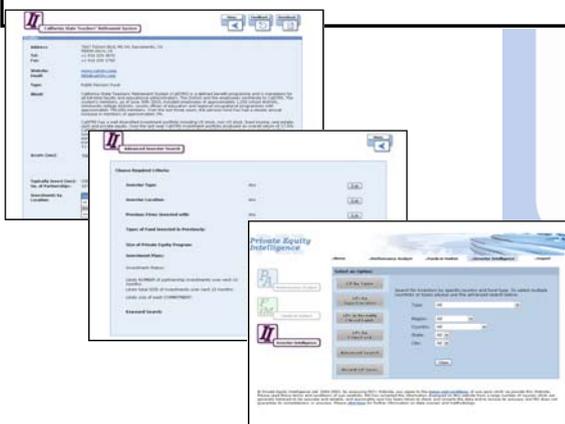
## **FUND PERFORMANCE:**

We provide performance data for 2,900 private equity funds worldwide. For each individual fund you see the amount called, distributed, unrealised value, value multiple and net IRR. Performance is measured on a net-to-LP basis. Fund performance is available through our online database "**Performance Analyst**" and our publication "**The 2006 Private Equity Performance Monitor**".



## **INVESTORS:**

View profiles for 3,000 global LPs complete with information on background, contact details including key people, program size, investment plans, investment preferences, current portfolio and funds previously invested with. This information is available through our online database "**Investor Intelligence**" and our publication "**The 2006 Limited Partner Universe**".



## **FUND RAISING:**

See information on over 700 private equity funds worldwide who are currently raising capital. Get details of funds likely to be raising in the near future and view funds closed over the last year including sample investors. This information is available through our online database "**Funds in Market**" and our annual publication "**The Global Fund Raising Review**".

Value of Funds being Raised (\$bn)	US	Europe	ROW	Total
Venture	25	9	7	42
Buyout	84	52	5	140
Fund of Funds	12	9	1	22
Other	8	1	3	13
<b>Total</b>	<b>130</b>	<b>71</b>	<b>16</b>	<b>216</b>

Number of Funds being Raised	US	Europe	ROW	Total
Venture	158	69	61	288
Buyout	113	58	22	193
Fund of Funds	44	32	5	81
Other	33	11	11	55
<b>Total</b>	<b>348</b>	<b>170</b>	<b>99</b>	<b>617</b>

Average Size of Fund being Raised (\$mm)	US	Europe	ROW	Average
Venture	160	125	119	145
Buyout	741	890	212	725
Fund of Funds	284	270	145	270
Other	250	105	262	232
<b>Average</b>	<b>373</b>	<b>416</b>	<b>162</b>	<b>351</b>

## **RESEARCH AND CONSULTING SERVICES:**

Do you need a target list of investors for your new fund? And to test their appetite for your fund? Maybe you need to review publicly listed private equity vehicles? Do you want to project likely cashflows for your model portfolio?

Whatever your requirements, PEI's proprietary databases, research skills and contacts can be an effective and economic solution for you. For more information on how we can help you to meet your goals

