

# PRIVATE EQUITY SPOTLIGHT

www.preqin.com

February 2006

Volume 2 Issue 2

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

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

**The Emerging Markets Opportunity:** after years spent on the sidelines, emerging markets private equity had a huge fund-raising year in 2005 and the momentum looks set to continue in 2006. We explore the factors driving the market.

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

**Emerging Market Private Equity Funds:** This month we look at how these funds have performed historically for the vintage years 1994 - 2003.

## FUND RAISING \_\_\_\_\_ P5

In addition to our usual look at buyout and venture fund raising activity, this month we look at fund of funds, and also examine fund raising in emerging markets.

No. of Funds on Road	US	Europe	ROW	Total
Venture	171	74	68	313
Buyout	123	57	31	211
Fund of Funds	56	41	10	107
Other	46	16	18	80
Total	396	188	127	711

## INVESTOR NEWS \_\_\_\_\_ P10

All the latest news on investors in private equity:

- **WSIB surprises private equity observers**
- **Ohio advertises for new CIO**
- **Indiana Public Employees' Retirement Fund set to revamp its private equity strategy**

## INVESTOR SPOTLIGHT \_\_\_\_\_ P11

**This month we focus on LPs' interests in Emerging Markets Private Equity Funds.**

⇒ An overview of the Private Equity Asset Class in Emerging Markets.

⇒ Who are the big players investing in Emerging Markets?

⇒ Where are they looking to invest?

⇒ How are their strategies changing?



## \*OUT NOW\*

The 2006 Global Fund Raising Review

More information available at:

[www.preqin.com/GFR2006](http://www.preqin.com/GFR2006)



## SUBSCRIPTIONS \_\_\_\_\_

If you would like to receive a free copy of Private Equity Spotlight each month please email [spotlight@preqin.com](mailto:spotlight@preqin.com).

Subscribers to Performance Analyst and Investor Intelligence receive additional information not available in this free version. If you would like further details please email [sales@preqin.com](mailto:sales@preqin.com).

**Publisher:** Private Equity Intelligence Ltd  
10 Old Bailey, London EC4M 7NG. Tel: +44 (0)207 038 1650.

# PRIVATE EQUITY SPOTLIGHT

## Feature Article: The Emerging Markets Opportunity

Things seem finally to be coming right for emerging markets private equity. Better fund performance, growing LP interest and commitment from heavyweight private equity firms combined to make 2005 a stellar year for emerging markets fund raising. Is this the start of a major long-term trend?

Buyout funds – especially those in the US and Europe - grabbed most of the fund-raising headlines in 2005, as a series of ever-larger mega funds helped buyouts raise a massive \$134 billion during the year, double 2004's figure.

The trend seems set to continue in 2006, with Apollo VI closing on \$10.1 billion and the likes of KKR, Permira and Doughty Hanson all launching major new funds.

However, behind the scenes there is another fund-raising revolution going on that may have equally important long-term ramifications. Emerging markets private equity funds raised around \$26 billion in 2005 (depending upon what you include in emerging markets), a massive increase of 300% on the amount raised in 2004.

The trend appears to have strong foundations. Elsewhere in this month's Spotlight we explore the performance track records of emerging markets private

equity (bottom line: a significant improvement over the past few years) and the growing interest of LPs worldwide in investing in these funds (bottom line: a growing proportion of the largest LPs are now interested in investing.) As a result, both the supply of, and demand for, emerging markets private equity funds is growing:

- In January 2005 our Funds in Market database listed 78 new funds on the road outside Europe and the US. Today that figure has grown to 123 funds – and if funds managed from Europe and the US but aimed at investments in emerging markets are included the total rises to 168 funds. Taken together these funds

have a combined target value of \$34 billion.

- In Q1 2005 Asian funds achieved final closes totalling \$2 billion. In Q2 \$5.5 billion was raised by 19 funds; in Q3 \$8.5 billion was raised by 29 funds; and in Q4 \$11 billion was raised by 23 funds.
- Approximately two-thirds of the money being invested in emerging markets funds is coming from US and European LPs. The trend is clearest

**“Approximately two-thirds of the money being invested in emerging markets funds is coming from US and European LPs.”**

**Fig 1: Private Equity as a proportion of GDP by region globally**

	<u>2003 GDP \$ trillion (1)</u>	<u>Private equity funds raised in 2005 - \$bn</u>	<u>\$bn PE funds per \$trillion of GDP</u>
<b>North America</b>	12.2	111.1	9.1
<b>Europe</b>	9.9	76.9	7.8
<b>Australasia</b>	0.6	2.1	3.5
<b>Asia</b>	17.8	20.5	1.2
<b>Eastern Europe</b>	3.0	2.7	0.9
<b>South America</b>	3.7	0.7	0.2
<b>Africa</b>	1.7	0.1	0.1

(1) Source: CIA Yearbook

# PRIVATE EQUITY SPOTLIGHT

amongst the largest LPs: among LPs with \$1 billion or more of target private equity allocations, those expressing an interest in emerging markets are in a clear majority.

How big could emerging markets private equity become? Fig. 1 compares the value of funds raised by region during 2005 with the approximate size of the total economy in each region (please note that the figures for fund raising include funds that are aimed primarily or exclusively at a single geographic region – i.e. we have not included the approximately \$48 billion raised by funds with a truly global investment remit).

It is interesting that Europe in 2005 almost matched the US in terms of the value of private equity funds raised in relation to GDP: both markets being mature. The emerging economies of Asia, Eastern Europe, South America and Africa provide a massive contrast. The penetration of private equity in these economies is approximately only one-tenth as much as it is in Europe and North America, giving a sense for the potential scale of the opportunity.

A concern of LPs has historically been the disappointing financial performance of funds in these markets, coupled with concerns over transparency and governance. Whilst these will undoubtedly remain issues for some time, it may be that the recent improvements in fund performance that LPs are seeing from their involvement in emerging markets marks the beginning of a trend. It is also interesting to note that major, established firms are now extending their reach deeper into emerging markets (please see this month's Investor Spotlight for examples). These may be some of the factors encouraging LPs to take a more positive view on emerging markets private equity.

Transparency also has an important role to play: as better information on fund performance becomes available, more LPs will feel confident in investing in these new growth markets. Our Performance Analyst database currently carries net-to-LP performance data for 91 emerging markets funds, and this number is growing as we find more sources of data, and as a growing number of GPs share information on their funds with us. Better information will support the growth of this market.

## GP's: Share data on your funds with us

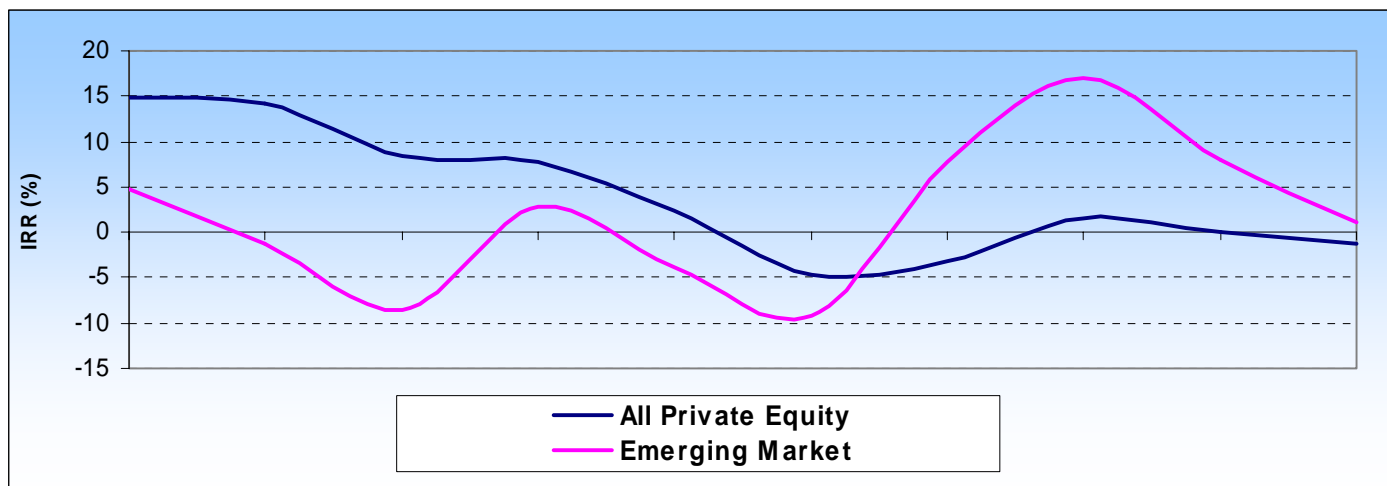
Many GPs share data on the performance of their funds with Private Equity Intelligence. Doing so helps to ensure that the LPs using the **Performance Analyst** database have access to the latest and most accurate data on your funds, and so helps your Investor Relations and raises your firm's profile. Also, as a data-sharing GP you get free access to the market benchmarks module of Performance Analyst.

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

# 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 EMERGING MARKET PRIVATE EQUITY FUNDS



Figures show median IRR from inception to latest date now available for funds by vintage year. IRRs are fund IRRs 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 emerging market funds. Within the private equity industry, emerging markets have historically played a very small part, and this is reflected in the coverage of emerging markets funds on Performance Analyst: out of nearly 2,700 funds with net-to-LP performance data, 91 funds are focused on emerging markets.

The chart above shows median IRRs from inception to date for emerging market funds, and compares these against median IRRs for all Private Equity funds for the vintage years 1994 to 2003. Accepting the limitations on the emerging markets data, it is clear that funds prior to 1999 performed relatively poorly, but that there has been a significant improvement in emerging markets fund performance over the most recent vintage years. It is clearly still early days for these vintage funds – and probably too

soon to draw any firm conclusions – but it does look as though the previous chronic under-performance by emerging markets private equity may have turned the corner.

The Asian / emerging markets financial crisis of the late 90s may have contributed to the performance problems of the older funds, but the recent good performance appears to have encouraged many LPs to conclude that things have now changed and the time has come to invest in private equity in these markets. Other sections of this month's Spotlight highlight the growing interest from LPs in emerging markets private equity, and the growing fund-raising momentum that emerging markets are achieving.

The table below summarizes the net performance of some of the best emerging market funds. Among the emerging market funds on Performance Analyst: 55% focus on Asia, 15%, on Eastern Europe, 15% on South America, 10% on Africa and 4% on Middle East.

Fund	Vintage	Fund Size (Mn)	Called (%)	Distr. (%)	Value (%)	IRR (%)	Multiple	Date
Avenue Special Situations II	2001	n/a	103.1	141.1	11.3	18.6	1.5X	30-Jun-05
Polish Enterprise Fund IV	2000	217 USD	97	44.8	177.2	36.1	2.2X	30-Jun-05
GS Special Opportunities Asia	2000	2,500 USD	100	129.9	23.3	24.4	1.5X	31-Jul-05
Brait III	1999	409 USD	88.3	30.3	136.7	31.0	1.6X	31-Dec-04
Zephyr Korea	1997	15 USD	100	190	0	32.8	1.9X	31-Oct-05

# Product Spotlight: The 2006 Global Fund Raising Review

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 Global Fund Raising Review

## The 2006 Global Fund Raising Review

The 2006 Global Fund Raising Review provides all you need to know about global private equity fundraising. Following last year's success the 2006 edition brings you even more vital information:

- Listings of all funds closed in 2005, together with fund details, LPs investing in the fund and placement agents used
- Funds on the road Jan 2006 and likely new follow-on funds
- Listings of the 200 top LPs worldwide with their investment plans for 2006
- Listings of all major placement agents worldwide, with funds worked on during 2005 and 2006
- Analysis of dynamics driving the market
- Forecasts for 2006 by fund type and geography



## WHO USES IT AND WHY?

The 2006 Global Fund Raising Review has proven to be hugely popular with a wide range of private equity professionals worldwide:

- Placement agents use it to view league tables of all placement agents; see funds currently raising and funds likely to launch during 2006; see investment plans of 200 key LPs; get market forecasts; see sample LPs committing to funds during 2005
- GPs use it to understand prospects for fund raising in 2006 by fund type and location; view key LPs and their investment plans; see which GPs are likely to be fund raising during 2006; see who the main placement agents are, who have succeeded in 2005 and what their areas of specialisation are
- LPs use it to see which funds are currently in the market; which areas are hottest for fund raising, and who is closing
- Advisers use it to understand key trends in the market

## HOW CAN I GET IT?

The 2006 Global Fund Raising Review is available now at £395 / \$695 / €575. For more information, including sample pages, and to order, please visit

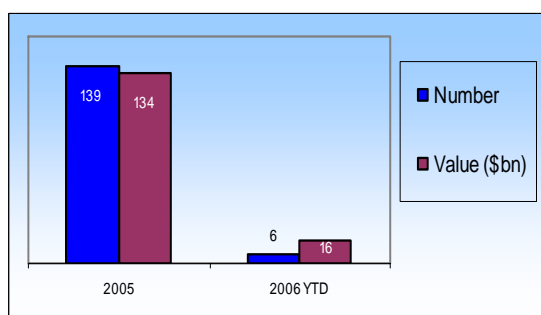
[www.prein.com/GFR2006](http://www.prein.com/GFR2006)

# FUNDS in MARKET — Buyout

## BUYOUT FUNDS ON THE ROAD

	US	Europe	ROW	Total
<b>No. on Road</b>	123	57	31	<b>211</b>
<b>Total Target Value (\$bn)</b>	78	19	10	<b>106</b>
<b>Average Target Size (\$mn)</b>	630	329	311	<b>502</b>

## FINAL CLOSES BAROMETER



## LARGEST BUYOUT FUNDS CURRENTLY ON ROAD

Fund	Manager	Target Size (Mn)	Location
Blackstone Capital Partners V	Blackstone Group	13250 USD	US
KKR Fund 2006	Kohlberg Kravis Roberts	12000 USD	US
Thomas H Lee VI	Thomas H Lee Partners	7500 USD	US
Madison Dearborn Capital Partners V	Madison Dearborn Partners	5000 USD	US
Charterhouse Capital Partners VIII	Charterhouse Capital Partners	3500 EUR	Europe
TA Associates / Advent X	TA Associates	3500 USD	US
Francisco Partners II	Francisco Partners	3000 USD	US
Diamond Castle IV	Diamond Castle Holdings	2500 USD	US
The Resolute Fund II	Jordan Company	2500 USD	US
Avista Capital Partner	Avista Capital Partners	2000 USD	US

## SAMPLE BUYOUT FUNDS CLOSED DURING JANUARY 2006

### Apollo Investment Fund IV

**Manager:** Apollo Management  
**Target Size (mn):** 5000 USD  
**First Close (mn):** 6000 USD (Sep-2005)  
**Final Close (mn):** 10100 USD (Feb-2006)  
**Geographic Focus:** North America  
**Industry Focus:** Any  
**Placement Agent:** Credit Suisse Private Fund Group  
**Sample Investors:** CalPERS, Colorado Public Employees' Retirement Association, New Jersey State Investment Council, New York City Retirement System and Teachers' Retirement System of the State of Illinois

### Thoma Cressey Equity Partners VIII

**Manager:** Thoma Cressey Equity Partners  
**Target Size (mn):** 650 USD  
**Final Close (mn):** 760 USD (Jan-2006)  
**Geographic Focus:** North America  
**Industry Focus:** Healthcare, Consumer Products, Consumer Services, Software, Business Services  
**Placement Agent:** UBS Investment Bank

### Welsh Carson Anderson & Stowe X :

**Manager:** Welsh Carson Anderson & Stowe  
**First Close (mn):** 1500 USD (Jun-2005)  
**Final Close (mn):** 3000 USD (Jan-2006)  
**Geographic Focus:** North America  
**Industry Focus:** Technology, Telecoms, Healthcare, Communications, IT, Life Sciences, Internet, Computer Services, Information Services  
**Placement Agent:** Merrill Lynch  
**Sample Investors:** California Public Employees' Retirement System (CalPERS), New York State Teachers' Retirement System, Teachers' Retirement System of the State of Illinois and YMCA Retirement Fund

### Quad-C Partners VII

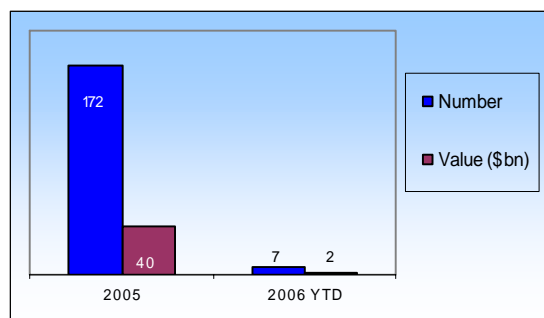
**Manager:** Quad-C Partners  
**Final Close (mn):** 850 EUR (Jan-2006)  
**Geographic Focus:** North America  
**Industry Focus:** Retail, Distribution, Consumer Services, Manufacturing, Communications

# FUNDS in MARKET — Venture

## VENTURE FUNDS ON THE ROAD

	US	Europe	ROW	Total
<b>No. on Road</b>	171	74	68	<b>313</b>
<b>Total Target Value (\$bn)</b>	25	9	7	<b>42</b>
<b>Average Target Size (\$mn)</b>	149	126	100	<b>133</b>

## FINAL CLOSES BAROMETER



## LARGEST VENTURE FUNDS CURRENTLY ON ROAD

Fund	Manager	Target Size (Mn)	Location
Polaris Venture Partners V	Polaris Venture Partners	900 USD	US
MPM BioVentures IV	MPM Capital	650 USD	US
Column Group Venture Partners I	Column Group	500 USD	US
ABS Capital V	ABS Capital Partners	500 USD	US
Panorama Capital	Panorama Capital	500 USD	US
Vertex India China Pre-IPO Equity Fund	Vertex Venture Holdings	500 USD	Asia
Pacven Ventures VI	Walden International	450 USD	Asia
Schroder Ventures Intl Life Sciences IV	SV Life Sciences	400 USD	US
Atlas Venture VII	Atlas Venture	400 USD	US
Burrill Life Sciences Capital Fund III	Burrill & Company	400 USD	US

## SAMPLE VENTURE FUNDS CLOSED DURING JANUARY 2006

### Lightspeed Venture Partners VII

**Manager:** Lightspeed Venture Partners  
**Target Size:** 400 USD  
**Final Close (mn):** 475 USD (Jan-2006)  
**Geographic Focus:** North America, Europe  
**Industry Focus:** Technology, Software, Semiconductors, Computer Services  
**Sample Investors:** Bessemer Trust Company, GIC Special Investments, Pantheon Ventures, Pennsylvania State Employees' Retirement System and Regents of the University of California

### Aisling Capital II:

**Manager:** Aisling Capital  
**Final Close (mn):** 550 USD (Jan-2006)  
**Geographic Focus:** North America  
**Industry Focus:** Life Sciences, Biotechnology, Biomedical

### Rockport Capital Partners II

**Manager:** Rockport Capital Partners  
**Target Size (mn):** 250 USD  
**First Close (mn):** 155 USD (Dec-2005)  
**Final Close (mn):** 261 USD (Jan-2006)  
**Geographic Focus:** North America  
**Industry Focus:** Environmental Services, Chemicals & Materials, Energy

### Jafco V2 Venture Capital Investment

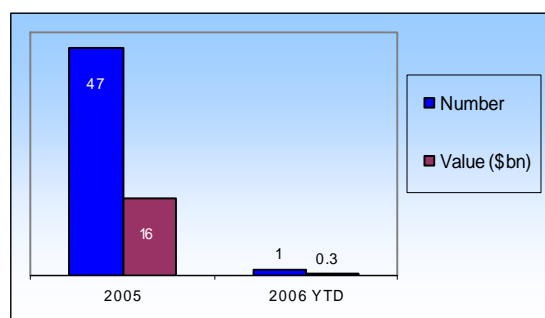
**Manager:** JAFCO  
**Target Size (mn):** 90,000 JPY  
**First Close (mn):** 50,000 JPY (Sep-2005)  
**Final Close (mn):** 98,500 JPY (Jan-2006)  
**Geographic Focus:** Japan, Asia  
**Industry Focus:** Any

# FUNDS in MARKET — Fund-of-Funds

## FUND-OF-FUNDS ON THE ROAD

	US	Europe	ROW	Total
<b>No. on Road</b>	56	41	10	<b>107</b>
<b>Total Target Value (\$bn)</b>	17	12	1	<b>31</b>
<b>Average Target Size (\$mn)</b>	310	295	130	<b>288</b>

## FINAL CLOSES BAROMETER



## LARGEST FUND-OF-FUNDS CURRENTLY ON ROAD

Fund	Manager	Target Size (Mn)	Location
HarbourVest International V	HarbourVest Partners	3100 EUR	US
JP Morgan Venture Capital Investors III	JP Morgan Asset Management	1250 USD	US
APEP Dachfonds	Allianz Private Equity Partners	750 EUR	Europe
Cartesian Capital	Cartesian Capital Group	750 USD	US
Danske-Private Equity III, K/S	Danske Private Equity	500 EUR	Europe
AXA Capital Asia	AXA Private Equity	500 EUR	Asia
SRPEP III	Swiss Re Private Equity Advisers	450 EUR	Europe
RWB Private Capital Fonds III	RenditeWertBeteiligungen	500 USD	Europe

## SAMPLE RECENT FUND OF FUNDS CLOSES

### Abbott Capital Private Equity Fund V

**Manager:** Abbott Capital Management  
**Geographic Focus:** Global  
**Target Size (mn):** 750 USD  
**Final Close (mn):** 850 USD (Dec-2005)  
**Industry Focus:** Any  
**Placement Agent:** Not Used

### Portfolio Advisors Private Equity Fund III

**Manager:** Portfolio Advisors  
**Target Size (mn):** 250 USD  
**Final Close (mn):** 661 USD (Nov-2005)  
**Geographic Focus:** North America, Western Europe  
**Industry Focus:** Any  
**Placement Agent:** Fortress Group  
**Sample Investors:** Iowa West Foundation and The Foundation of the Pennsylvania Medical Society

### European Strategic Partners 2004

**Manager:** Standard Life Investments  
**Target Size (mn):** 500 EUR  
**First Close (mn):** 250 EUR (Dec-2004)  
**Second Close (mn):** 549 EUR (May-2005)  
**Final Close (mn):** 850 USD (Nov-2005)  
**Industry Focus:** Any  
**Sample Investors:** Alfred I. duPont Trust, AUSCOAL, Hannoversche Leben, San Bernardino County Employees' Retirement Association and West Yorkshire Pension Fund

### Montagu Newhall Global Partners III

**Manager:** Montagu Newhall Associates  
**Geographic Focus:** North America, Europe  
**Final Close (mn):** 250 USD (Jan-2005)  
**Industry Focus:** Any  
**Geographic Focus:** North America, Western Europe  
**Placement Agent:** Champlain Advisors

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 fund-of-funds. A full list of the over 700 funds currently being raised can be viewed on our online database, Funds in Market.

**For a FREE TRIAL of our Online Funds in Market product please go to [www.preqin.com](http://www.preqin.com)**

Please email [fim@peqin.com](mailto:fim@peqin.com) for more information



# FUNDS in MARKET—Emerging Markets

## SAMPLE OF EMERGING BUYOUT FUNDS CURRENTLY ON ROAD

Fund	Manager	Target Size (Mn)	Location
China Renaissance Capital Investment	Credit Suisse Private Equity	1000 USD	China
MBK Partners I	MBK Partners	1000 USD	South Korea
Primus Pacific	Primus Pacific Partners	1000 USD	Hong Kong
Vogo Investment I	Vogo Investment	1000 USD	South Korea
ICICI India Advantage Fund V & VI	ICICI Venture Funds Management Company	750 USD	India
Woori Buyout Fund	Woori Private Equity	700 USD	South Korea
Brait IV	Brait South Africa	525 USD	South Africa
Ethos Private Equity Fund V	Ethos Private Equity	500 USD	South Africa

## SAMPLE OF EMERGING VENTURE FUNDS CURRENTLY ON ROAD

Fund	Manager	Target Size (Mn)	Location
Vertex India China Pre-IPO Equity Fund	Vertex Venture Holdings	500 USD	India
Pacven Ventures VI	Walden International	450 USD	Asia
Greater Pacific Capital	Greater Pacific Capital	300 USD	Asia
Pacific Technology Partners II	Pacific Venture Partners	300 USD	US, Asia
C Tech Fund	NewMargin Venture Capital	250 USD	China
IL & FS India Private Equity Growth Fund	IL & FS Investment Managers	250 USD	India
DFJ India Fund	Draper Fisher Jurvetson	200 USD	US
Kerala Venture Capital Fund	Kerala Venture Capital	200 USD	India

## SAMPLE RECENT EMERGING MARKET FUND CLOSES

### ChrysCapital IV

**Manager:** ChrysCapital  
**Fund Type:** Venture (General)  
**Geographic Focus:** India, Asia  
**Final Close (mn):** 550 USD (Dec-2005)  
**Industry Focus:** IT, Business Services  
**Placement Agent:** Not Used

### Abraaj Buyout Fund II

**Manager:** Abraaj Capital  
**Fund Type:** Buyout  
**Target Size (mn):** 500 USD  
**First Close (mn):** 200 USD (Mar-2005)  
**Second Close (mn):** 300 USD (Jul-2005)  
**Final Close (mn):** 500 USD (Dec-2005)  
**Geographic Focus:** Asia, Africa, Middle East  
**Industry Focus:** Any

### ICG Asia-Pacific Mezzanine Fund

**Manager:** Intermediate Capital Group  
**Fund Type:** Mezzanine  
**Geographic Focus:** Asia, Pacific Rim  
**Target Size (mn):** 400 USD  
**Final Close (mn):** 500 USD (Dec-2005)  
**Industry Focus:** Any  
**Placement Agent:** Not Used

### ADM Maculus Fund II

**Manager:** ADM Capital  
**Fund Type:** Distressed Debt  
**Geographic Focus:** Asia  
**Final Close (mn):** 338 USD (Jan-2006)  
**Industry Focus:** Any  
**Sample Investors:** Asian Development Bank

Do you have information on a fund currently raising? Would you like your new fund to be listed on our database? If you have any information regarding a fund in market please contact: [tim@preqin.com](mailto:tim@preqin.com)

# The 2006 Global Fund Raising Review

## Detailed analysis and review of global fundraising in private equity:

- Lists of all funds closed in 2005, with fund details, LPs investing in the fund and placement agents used
  - Funds on the road Jan 2006 and likely new follow-on funds
  - Listings of the 200 top LPs with their investment plans for 2006
- Lists of all major placement agents worldwide, with funds worked on during 2005 and 2006, league tables
  - Analysis of dynamics driving the market
  - Forecast for 2006

**Out Now:**  
**£395 / \$695 / €575**

More information is available at:  
[www.preqin.com/GFR2006](http://www.preqin.com/GFR2006)

- Download sample pages
- Order On-line



## ORDER FORM: Complete this form and return it by post/fax

I would like to order **The 2006 Global Fund Raising Review**

£ 395 + £ 10 shipping cost

\$ 695 + \$ 40 shipping cost

€ 575 + € 20 shipping cost

Keep me updated throughout the year, add Funds in Market online at a 50% discount: £137 / \$247 / €197

Name:

Firm:

Job Title:

Address:

City:

Post/Zip code:

Country:

Telephone:

Email:

### Payment Options:

Cheque enclosed (please make the cheque payable to "Private Equity Intelligence")

Credit Card:

Visa

Amex

MasterCard

Card Number:

Expiration Date:

Name on Card:

**Private Equity Intelligence - 10 Old Bailey, London EC4M 7NG.**

[www.preqin.com](http://www.preqin.com) / [info@preqin.com](mailto:info@preqin.com)

Tel: +44 (0)20 7038 1650 Fax: +44 (0)87 0330 5892 or +1 440 445 9595

# 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 analyze investors in a specific region - this month we look at the Emerging Markets.

## INVESTOR NEWS

**Washington State Investment Board (WSIB) has surprised private equity observers with its recent announcement to commit USD 1.5 billion to KKR's latest buyout fund.** This sum equals the board's commitment to KKR's Millenium Fund back in 2001, whereas it was expected to surpass the USD 1.5 billion mark, currently the largest commitment ever made. Furthermore, the commitment is significantly short of KKR's original request for USD 3 billion from WSIB. WSIB has over USD 53 billion under management and its target allocation to private equity funds stands at 17%. As of mid 2005, WISB planned to commit USD 6.5 billion over the next five years.

**The infamous Ohio Bureau of Workers' Compensation (OBWC) is advertising for a new chief investment officer.** Interestingly, the job specification makes no mention of managing a private equity portfolio. As such we await the sale of OBWC's private equity holdings on the secondary market. In early 2006, Ennis Knupp completed a valuation of OBWC's 68 private equity relationships and confirmed that the value of the entire private equity portfolio had appreciated 4.5 percent since inception. Within private equity, OBWC has achieved its target allocation of 3% of total assets, equating to over USD 800 million.

**Indiana Public Employees' Retirement Fund is set to revamp its private equity strategy following the arrival of Shawn Wischmeier as the new Chief Investment Officer.** Back in 2001, the USD 13 billion pension fund set out to invest approximately 5% of total assets in alternatives, however, it has since failed to reach this target. Mandates issued included that for

a fund-of-funds manager to oversee up to USD 100 million in commitments to venture funds; another mandate was for an international fund-of-funds manager. New versions of these mandates are expected to be issued later this year.

**St. Louis County Employees' Retirement Plan is currently considering an allocation of up to 10% to alternatives.** The pension plan, with over USD 500 million in assets is particularly interested in private equity funds although the allocation could also include hedge funds. The board is expected to vote on the allocation in the next few weeks. Should the allocation be given the go-ahead, consultant Summit Strategies will assist with the manager selection process.

**As of 23rd January, 2006, AXA Private Equity and The Caisse de dépôt et placement du Québec announced their decision to step up joint private equity efforts in the key markets of North America, Europe and Asia.** First, the two organizations will consolidate their joint position on Europe's mid-sized enterprise market. The agreement also calls for the formation of a fund specialising on the Asian market, AXA Capital Asia, which is currently raising and targeting EUR 500 million. AXA Private Equity and the Caisse de dépôt will be the two main partners in the fund with 20% of total commitments coming from external institutional investors. The two firms will also work together to develop an investment structure for the mid-sized market in the US. Together, more than EUR 1.5 billion will be provided to implement this agreement.

# INVESTOR SPOTLIGHT

## **Private equity players of all sizes are preparing for an increase in commitments to emerging markets-focused funds.**

The Investor Intelligence database currently lists 198 LPs who have previously invested in an emerging markets-focused fund, and a further 253 LPs who have expressed the desire to do so. Taken together these 451 LPs have combined allocations to private equity of some \$629 billion - in other words they are some of the largest LPs globally. As might be expected, most of these LPs are based in developed markets – 32% from Europe and 30% from North America. The increased LP interest in emerging markets is also confirmed by other sources – e.g. the recent Coller Capital Barometer notes increased interest in Asian markets, especially India.

The very active global fund-raising markets may be contributing to this growing interest in emerging markets, as stiff competition for access to leading European and North American funds prompts LPs to look further afield for new opportunities. Furthermore, LPs' investment in emerging markets can only be encouraged by the expansion of well-known private equity houses into these regions. This physical presence of key players will go some way to quell LP unease over the limited track records and unknown GPs historically associated with emerging markets. In September 2005, buyout house KKR announced its intention to open offices in both Hong Kong and Tokyo from where it will pursue opportunities over the long term throughout the Asia Pacific region. In the same month, fund-of-funds manager AXA opened an office in Singapore. AXA is currently raising AXA Capital Asia for which it is seeking EUR 100 million worth of external institutional commitments.

Asia currently receives the largest bite in terms of emerging market LP appetite.

Oregon Public Employees' Retirement Fund (OPERF) is currently looking for fund managers for Asia, and in 2005 the pension fund invested in two Asia-focused funds: CCMP's Asia Opportunity Fund II (JP Morgan's Asian spin-out) and CVC Capital Partners Asia Pacific II. Perennial private equity investor CalPERS directs 4% of its private equity allocation to Asia, equating to a total of over USD 1 billion. This allocation is set to increase in coming years and CalPERS is seeking to renew relationships with fund managers in Asia and broadly diversify across the region.

In particular, CalPERS is looking to increase its exposure to the Indian private equity market. Fellow heavyweight private equity investor AlInvest last year committed to Navis Asia Fund IV providing it with exposure to countries including China, Hong Kong, India, Malaysia, Philippines, Singapore and Thailand. AlInvest allocates a massive 12% of its private equity allocation outside of Europe and North America, equating to nearly EUR 2 billion.

The emerging markets of Russia and China are also hotspots for private equity activity, with most LP interest coming from Europe and North America. Indeed, according to the Emerging Markets Private Equity Association, 90% of capital raised in 2005 for Russia-focused funds came from non-Russian investors. Enthusiasm for the region is apparent through the successful closing of Baring Vostok Capital Partners' third Russia-focused buyout fund. The fund, which was oversubscribed, raised a total of USD 400 million. Meanwhile, China found favour amongst US endowment funds. Last year, technology-focused TDF China Capital II received commitments from three of the leading US academic institutions:

# INVESTOR SPOTLIGHT

Northwestern, Princeton and Yale. The fund will invest in China, Hong Kong and Taiwan.

Central and Eastern Europe is also receiving its fair share of LP interest. One investor showing enthusiasm for the region is private equity heavyweight Ontario Teachers' Pension Plan (OTPP). In 2005 OTPP committed to Advent Central & Eastern Europe III (ACEE III). OTPP is Canada's largest public pension fund, with over CAD 80 billion in total assets. The bulk of fund investments to date have been focused on the UK and North America, however, for the future OTPP is interested in less crowded regions and is keen to diversify further geographically. Through ACEE III, OTPP will have exposure to investments in Poland, Hungary, the Czech Republic, Slovakia, Romania, and Turkey with selective investments in other countries including Slovenia, Croatia and Bulgaria. Danica Pension Fund, with approximately EUR 200 million already committed to private equity, is broadening its investment scope to include emerging markets, namely Eastern Europe. The Danish pension fund has the capability to allocate up to 10% of new capital available to Eastern Europe. Similarly, the Finnish Local Government Pensions Institution is enthusiastic about Eastern Europe and is currently actively looking for funds based in countries including Poland, Hungary and Romania.

Also within the emerging markets, Latin America has recently been experiencing popularity amongst some significant LPs. British Columbia Investment Management Company (BclMC) invested in Advent's third Latin America-focused fund. The fund will invest primarily in companies in Argentina, Brazil and Mexico. BclMC has approximately CAD 1.6 billion currently committed to private equity funds, of which 6% is allocated to emerging markets including Latin America. BclMC allocates a further 11% of its private equity portfolio to Asian-focused funds. Also looking to Latin America is New Mexico State Investment Council (SIC), approving a commitment to Carlyle Mexico Partners in late 2005. Over the next 12 months, the SIC will aim to invest USD 300 million in new private equity funds.

In 2005, South Africa received attention from New York State Common Retirement Fund. The pension fund, with a target allocation of over USD 10 billion to private equity funds, committed to Ethos Private Equity's fifth fund.

Certainly, activity within the emerging markets looks set to continue as an increasing number of LPs state that they expect to increase commitments to these regions in the next three years.

## **Are you currently fund raising?**

Investor Intelligence is your indispensable information resource for fund raising and investor relations. With detailed profiles for over 3,000 LP investors from around the globe we can help you find the investors you need.

**For FREE TRIAL ACCESS -**

**Register Now at: [www.preqin.com](http://www.preqin.com)**

**For additional information please contact us at: [sales@peqin.com](mailto:sales@peqin.com)**

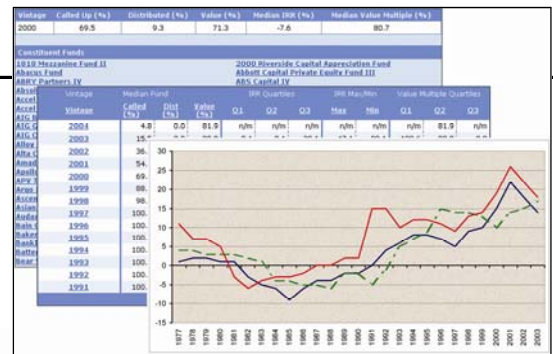
**or call: +44(0)207 038 1650**

# In the spotlight: Private Equity Intelligence

Private Equity Intelligence provides information products and services to private equity and venture capital firms, fund-of-funds, investors, placement agents and advisors across three main areas: **Fund Performance, Fund Raising and LP profiles.**

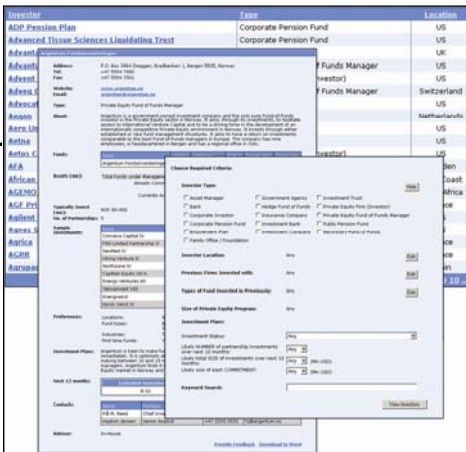
## FUND PERFORMANCE:

Transparent performance data for nearly 2,700 private equity and venture capital funds and fund-of-funds worldwide. Customers have access to key performance metrics – Called, Distributed, Unrealized Value, Multiple, IRR, Cash Flow – to compare individual funds and firms against each other and the benchmarks.



## LP PROFILES:

Detailed profiles for over 3,000 LP investors worldwide plus a powerful and flexible search tool helping GPs, placement agents, fund-of-funds and advisors to find the LPs that best match their criteria.



## FUND RAISING:

Comprehensive monitoring of the global market for new fund raising. Who is currently on the road? Who has succeeded in closing a fund recently? Which LPs committed to the new funds? Who is likely to be raising a new fund in the near future?

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 (\$m)	US	Europe	ROW	Average
Venture	160	135	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>

## METHOD OF DELIVERY:

Customers can get this market intelligence in three different ways:

- Hard copy publications
- Online database services
- Consulting and research support

Whatever your requirements our services, research skills and contacts can be an effective and economic solution to you.

Please contact us at [info@preqin.com](mailto:info@preqin.com) for more information.

