

PRIVATE EQUITY SPOTLIGHT

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Volume 1 Issue 1

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

FEATURE ARTICLE _____ P1



With the introduction of the **UK Freedom of Information Act** in the UK at the start of 2005, we look at the implications for public pension plan LPs and their GPs.

PERFORMANCE SPOTLIGHT _____ P3

This month we look at the performance of US Buyout funds compared to private equity as a whole. The best performing funds from vintage year 2000 have already yielded some great returns for investors and we look at which have performed the best.

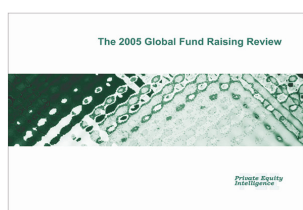
FUND RAISING _____ P4

Number of Funds Currently on the Road

	US	Europe	ROW	Total
Venture	170	57	55	282
Buyout	123	57	17	197
Fund of Funds	37	22	4	63
Other	38	11	10	59
Total	368	147	86	601

OUT NOW: The 2005 Fund Raising Review _____

Who closed funds in 2004? Who invested in them? Who is currently raising a fund? Who is likely to be fund raising in 2005? Placement Agent league tables. Profiles for 50 of the biggest investors and their plans for investing in 2005 and more.



Already in 2005 there have been 42 funds closed raising a total of \$25bn. Fund Raising in 2005 is set to continue at a rapid rate. We take a look at current fund raising activity for Venture, Buyout and Fund of Funds.

INVESTOR SPOTLIGHT _____ P7

There are over 2,600 significant investors in Private Equity around the globe. Fund of Funds are the largest investors with over \$250bn managed by nearly 200 firms. We take a closer look at how much money is managed by different types of investor.

	No.	Funds Managed (\$bn)
Private Equity Fund of Funds	187	267
Public Pension Fund	319	210
Corporate Pension Fund	393	90
Insurance Company	172	59
Investment Company	188	55
Bank	162	33
Foundations and Family Offices	467	27
Endowment Plan	328	26

SUBSCRIPTIONS _____

If you would like to receive a free copy of Private Equity Spotlight each month please email spotlight@peqin.com.

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PERFORMANCE · INVESTORS · FUND RAISING

Private Equity
Intelligence

PRIVATE EQUITY SPOTLIGHT

SPECIAL FEATURE: The UK Freedom of Information Act

The Freedom of Information Act 2000 (FOIA) came into full effect in January, allowing UK citizens to request information from public bodies. The first requests for information on Private Equity funds have been made. What are the implications for public pension plan LPs and their GPs? What information is likely to be disclosed? What information is exempt? How can GPs and LPs best protect their interests? What lessons are there from other countries, and how is the UK different?

GPs and LPs are interested to know how FOIA is likely to affect them. Many are happy for basic fund-level performance data to be disclosed, and accept that this is a natural and welcome progression towards greater transparency in the industry. However, there is widespread concern lest detailed information concerning the finances and strategies of individual portfolio companies might be disclosed, and the harm that this could cause.

The basic format of the Freedom of Information Act is essentially the same in all countries: documents and information in the custody of public bodies are open to public inspection or copying, subject to certain exemptions. These exemptions are designed to protect various interests – national security, personal information, legal privilege, commercial interests etc. The devil is in the detail: it is the specific exemptions and how they are applied that determine the impact of the FOIA legislation. There are two exemptions in the UK legislation of potential relevance to Private Equity: Section 41, dealing with information supplied in confidence to the public body by a third party; and Section 43, dealing with commercial interests.

The first FOIA requests were made in the UK in early January, asking for basic fund-level data for Private Equity and Venture Capital funds. To date many local authority pension schemes have disclosed the requested information, while others have sought to apply exemptions. It will be some time before the final results are known, as the legislation defines a process of request / response / internal appeal / appeal to Information Commissioner / ruling. The burden of proof in this process lies with the public body if it

wishes to withhold information – i.e. the presumption is disclosure unless an exemption can be proven to apply.

However, certain important aspects are already clear: some information will clearly be excluded from disclosure; some will clearly be disclosed; and some will remain a gray area for some time to come.

What information will be clearly excluded from disclosure? We believe that the legislation is unambiguous on the question of detailed portfolio company information – the financial performance for individual companies in the portfolio; their strategies and plans; detailed product, pricing, marketing and personnel information. This information

“Some information will clearly be excluded from disclosure; some will clearly be disclosed; and some will remain a gray area for some time.”

clearly falls within the letter and intent of Section 43, as forced disclosure of this information has the potential to be prejudicial to the commercial interests of the company concerned – and hence also to the GP and LP. It is right and proper that this information should remain confidential and exempt from disclosure, and we believe that Section 43 gives LPs and their GPs clear protection. We are unaware of any requests having been made for this type of information – and certainly Private Equity Intelligence has not requested and will not request portfolio company information.

We believe that GPs and LPs can easily protect their interests from inadvertent disclosure of portfolio company data without limiting the flow of information between them. Communication to increase awareness of the fact that portfolio company information is exempt under Section 43 is the key requirement, and we hope that this article is helpful in this regard. In addition, a footnote on relevant pages

PRIVATE EQUITY SPOTLIGHT

highlighting exemption under Section 43 would help to reinforce this and protect against any risk of inadvertent disclosure.

Equally, some types of information will clearly be subject to disclosure under FOIA. Lists of the partnerships in which public pensions have an investment, together with the most basic historic financial information (Commitments, Contributions, Distributions and Unrealized Values at fund level) will almost certainly be disclosed. Many pension plans have disclosed this information already in response to FOIA requests, and while some have asked for exemption under Sections 41 or 43, these are unlikely to apply to this information. (41 fails because much of the information is generated internally by the pension plan's own accounting records, and because there is such overwhelming precedent for the disclosure of similar items of information, both within a FOIA context and otherwise. Several major LPs (CalPERS, Oregon etc) have routinely disclosed this information on their websites for several years, as have many of the leading Fund of Funds operators – firms like Pantheon, Standard Life, AIG and SVG Group – without any adverse effects. Whether or not a partnership agreement may specify confidentiality is less relevant than whether the information is inherently of a confidential nature or not, and whether precedent exists for its disclosure. 43 fails because the core commercial activities of the GP are not impeded by disclosure of this information, and because LPs disclosing this information have been able to continue to invest successfully in new funds.)

Accordingly, we predict that disclosure of this type of information will become the de facto standard – much as it has in the US and elsewhere. Leading firms increasingly accept disclosure of this information – firms like Permira (*Financial Times* 17th Jan 2005), Barclays (*Sunday Times*, 30th January 2005) and OVP (*High Tech Adviser* June 2004) have all gone on record saying that disclosure of fund-level performance data is acceptable. John Mackie of the BVCA confirms his support (*Lift lid on performance, says venture capital chief—Sunday Times*, 30th January 2005). Reporting on the SuperReturns conference on 28th February, Private Equity News concludes “Almost everyone agreed that if the

industry was to progress it needed to be more open and better at communicating”. As well as accepting the disclosure of this information, GPs and LPs alike are learning to benefit from the increased transparency that this is bringing.

A third category of information remains moot - questions like planned future fund commitments by the LPs; their investment strategies; specific funds that they may be looking at; management fee and carry structures for individual partnerships etc. Some of this information may end up being disclosed through FOIA, and some of it may be exempt by virtue of Sections 41 and 43. Time will tell. Private Equity Intelligence Ltd. has not requested any information of this type.

In summary, we believe that the UK FOIA will have a modest impact, but no significant downsides for LPs and GPs. The central requirement of private equity investment - confidentiality of portfolio company information - will remain, and LPs and GPs can continue to communicate effectively with each other in confidence, and with confidence. Equally, it is inevitable that transparency of fund performance will grow – to the benefit of GPs and LPs alike.

Please contact us if you have any questions or feedback on this topic.

Readers may be interested to note the Virtual Seminar on disclosure being run by Dow Jones on 11th March. Please go to: [Registration for virtual seminar](#) for more information.

Useful Links

The full Freedom of Information Act:
<http://www.hmso.gov.uk>

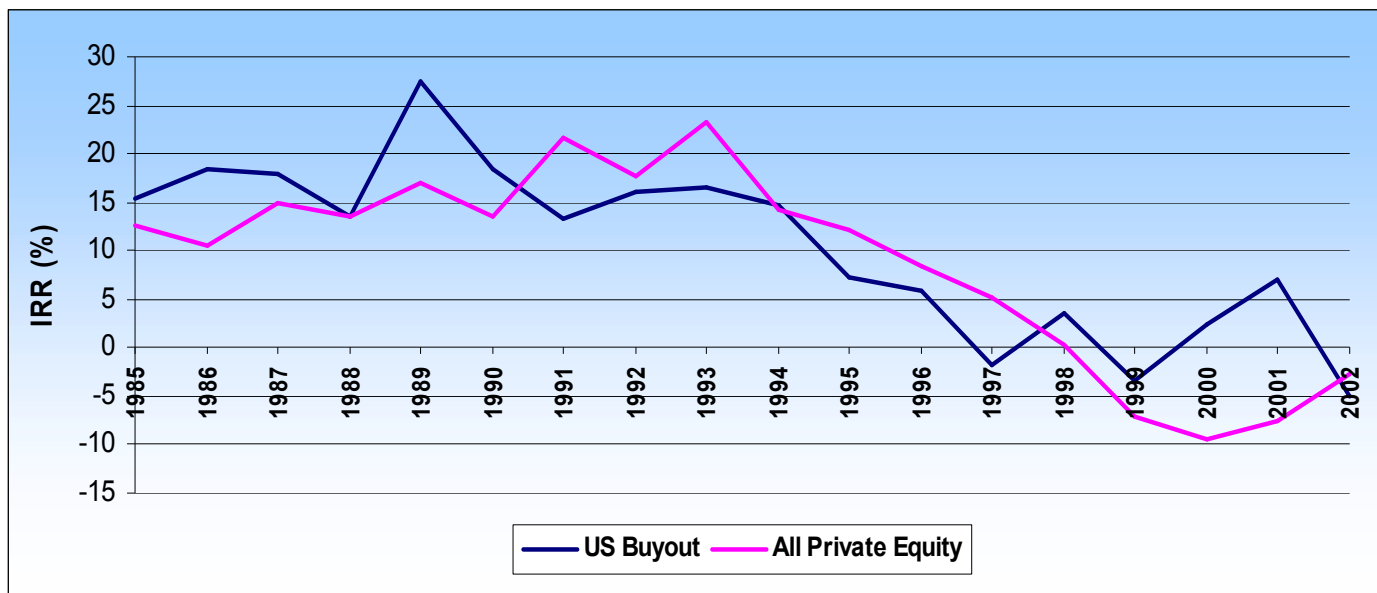
Detailed guidance notes on their interpretation and application are available from the Information Commissioner at www.informationcommissioner.gov.uk

(Guidance No. 2 and Guidance No. 5)

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 US BUYOUT 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 US Buyout funds. As can be seen from the graph of median benchmark returns above, US Buyouts outperformed other classes of private equity during most of the 1980s and again during the late 1990's through to 2001, when the general downturn in performance was less severe for Buyouts than for Venture funds.

The table below shows a sample of the best-performing US Buyout funds from the 2000 vintage year. In common with other classes of private equity, the top quartile Buyout funds

have outperformed the benchmarks by a huge margin, and the best two funds from the 2000 vintage have already returned over 60% of investors' capital. PEI's benchmark figure of 2.4% net IRR for 2000 vintage US Buyout funds is based upon a sample of 41 funds, while the total Performance Analyst database has performance data for over 2,100 funds across all vintages and fund types.

Interestingly, the best performing funds are of varying sizes, ranging from some of the biggest in the vintage year down to some of the smallest. In fact, there is no evidence that mid-market funds out-perform mega-funds – or vice versa.

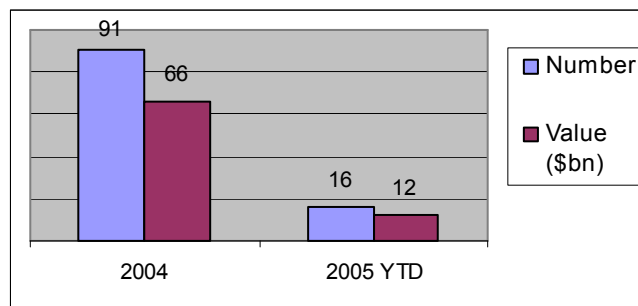
Fund	Fund Size (\$Mn)	Called (%)	Distr. (%)	Value (%)	IRR (%)	Benchmark (IRR)	Diff.	Date
Apollo Investment Fund V	3,800	71.4	63.3	57.1	24.0	2.4	21.6	30-Sep-04
Linsalata Capital Partners IV	332	63.8	60.7	76.1	20.4	2.4	18.0	30-Sep-04
Carlyle Partners III	3,900	64.7	8.6	141.9	18.0	2.4	15.6	30-Jun-04
2000 Riverside Capital Appreciation Fund	412	76.7	39.2	91.9	16.9	2.4	14.5	30-Sep-04
Kohlberg Investors IV	576	63.1	30.6	96.7	14.0	2.4	11.6	30-Jun-04

FUNDS in MARKET—Buyout

FUNDS ON THE ROAD

	US	Europe	ROW	Total
No. on Road	123	57	17	197
Total Target Value (\$bn)	72	47	2	121
Average Target Size (\$mn)	584	829	145	617

FINAL CLOSES BAROMETER



LARGEST BUYOUT FUNDS CURRENTLY ON ROAD

Fund	Manager	Target Size (Mn)	Location
Carlyle Partners IV	The Carlyle Group	6500 USD	US
Thomas H Lee VI	Thomas H Lee Partners	6000 USD	US
Cinven IV	Cinven	4500 EUR	Europe
BC European Cap VIII	BC Partners	4000 EUR	Europe
Apax Europe VI	Apax Partners	4000 EUR	Europe
Vestar Capital Partners V	Vestar Capital Partners	4000 USD	US
Montagu Private Equity II	Montagu Private Equity	3000 EUR	Europe
Clayton Dubilier & Rice VII	Clayton Dubilier & Rice	3500 USD	US
Welsh Carson Anderson & Stowe X	Welsh, Carson, Anderson & Stowe	3500 USD	US

SAMPLE BUYOUT FUNDS CLOSED DURING FEBRUARY 2005

Barclays Private Equity European Fund II:

Manager: Barclays Private Equity
Target Size (mn): 1400 EUR
Final Close (mn): 1650 EUR (Feb-2005)
Geographic Focus: Europe
Industry Focus: Any
Placement Agent: International Private Equity, Ltd.
Sample Investors: AlInvest Partners, Gartmore Group, GIC Special Investments, Morley Fund Management and Swiss Re Private Equity Advisers

Century Park Capital Partners II:

Manager: Century Park Capital Partners
Target Size (mn): 250 USD
Final Close (mn): 265 USD (Feb-2005)
Geographic Focus: North America
Industry Focus: Any
Placement Agent: CSFB Private Fund Group

Code Hennessy & Simmons V:

Manager: Code Hennessy & Simmons
Target Size (mn): 1250 USD
Final Close (mn): 1300 USD (Feb-2005)
Geographic Focus: US
Industry Focus: Consumer Products, Industrial, Distribution, Software, Business Services
Sample Investors: Massachusetts Pension Reserves Investment Management Board, PSERS and Washington State Investment Board

The Japan Fund IV

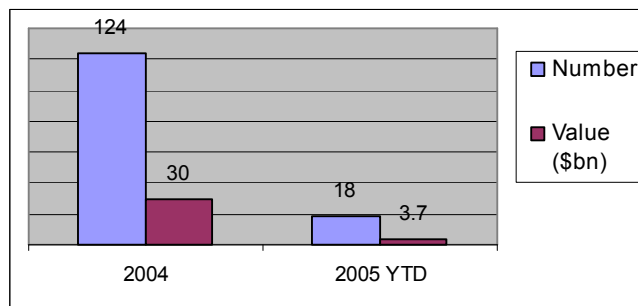
Manager: MKS Partners
Target Size (mn): 30,000 JPY
Final Close (mn): 39,400 JPY (Feb-2005)
Geographic Focus: Japan
Industry Focus: Consumer Products, Distribution, Services, IT
Placement Agent: Not Used

FUNDS in MARKET—Venture

CURRENTLY ON THE ROAD

	US	Europe	ROW	Total
No. on Road	170	57	55	282
Total Target Value (\$bn)	21	8	7	36
Average Target Size (\$mn)	123	138	126	127

FINAL CLOSES BAROMETER



LARGEST VENTURE FUNDS CURRENTLY ON ROAD

Fund	Manager	Target Size (Mn)	Location
Spectrum Equity Investors V	Spectrum Equity Investors	1500 USD	US
Sofipa Equity Fund II	MCC	400 EUR	Europe
TVM Life Science Venture VI	Techno Venture Management	400 EUR	Europe
Austin Ventures IX	Austin Ventures	500 USD	US
Atlas Ventures VII	Atlas Ventures	500 USD	US
Crosslink Crossover Fund V	Crosslink Crossover	500 USD	US
Baring Private Equity Asia III	Baring Private Equity Asia	400 USD	Asia
Burrill Life Sciences Capital Fund III	Burrill & Co.	400 USD	US
Advent Private Equity Fund IV	Advent Venture Partners	200 GBP	Europe

SAMPLE VENTURE FUNDS CLOSED DURING FEBRUARY 2005

Index Ventures III

Manager: Index Ventures
Final Close (mn): 300 EUR (Feb-2005)
Geographic Focus: Europe
Industry Focus: Technology, Telecoms, Healthcare, IT, Life Sciences, High-Tech, Software, Internet, Computer Services, Medical Instruments, Information Services
Sample Investors: Adams Street Partners, Alpinvest Partners, BP Pension Fund, Credit Suisse Placement Foundation and HarbourVest Partners

Sofinnova Capital V

Manager: Sofinnova Partners
Fund Type: Early Stage
Final Close: (mn): 385 EUR (Feb-2005)
Geographic Focus: Europe, France
Industry Focus: Any
Placement Agent: MVision Private Equity Advisers
Sample Investors: Alpinvest, BP Pension Fund, Credit Agricole Asset Management, HarbourVest Partners and JP Morgan Fleming Asset Management

Shasta Ventures Fund

Manager: Shasta Ventures
Fund Type: Early Stage
Target Size (mn): 175 USD
Closings (mn): First Close: 70 USD (Oct-2004)
Final Close (mn): 210 USD (Feb-2005)
Geographic Focus: US
Industry Focus: Consumer Products, Software, Infrastructure, Business Services

Frazier Healthcare V

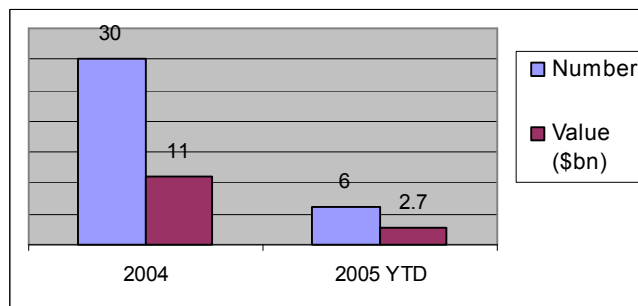
Manager: Frazier Healthcare Ventures
Fund Type: Venture (General)
Target Size (mn): 450 USD
Final Close: 350 USD (Feb-2005)
Geographic Focus: US
Industry Focus: Healthcare, Biotechnology, Medical Devices

FUNDS in MARKET—Fund of Funds

CURRENTLY ON THE ROAD

	US	Europe	ROW	Total
No. on Road	37	22	4	63
Total Target Value (\$bn)	8	5	n/a	14
Average Target Size (\$mn)	219	242	118	220

FINAL CLOSES BAROMETER



LARGEST FUND OF FUNDS CURRENTLY ON ROAD

Fund	Manager	Target Size (Mn)	Location
ViaNova European Buyout Fund of Funds	ViaNova Capital	500 EUR	Europe
European Strategic Partners 2004	Standard Life Investments	500 EUR	Europe
RWB Private Capital Fonds II	RenditeWertBeteiligungen	400 EUR	Europe
Lexington Middle Market Investors	Lexington Partners	500 USD	US
Private Equity European Partners III	Adveq Group	325 EUR	Europe
Pantheon Europe Fund IV	Pantheon Ventures	400 USD	Europe
Mowbray European Venture	Mowbray Capital	250 EUR	Europe
Alignment Capital Fund of Funds	Alignment Capital Group	300 USD	US
Alpha CEE 2005	ALPHA Associates	200 EUR	Europe

SAMPLE FUND OF FUNDS CLOSED DURING JANUARY-MARCH 2005

Montagu Newhall Global Partners II:

Manager: Montagu Newhall Associates
Final Close (mn): 156 USD (Jan-2005)
Industry Focus: Communications, IT, Life Sciences
Placement Agent: Not Used
Sample Investors: BP Pension Fund, Mercantile Bankshares and Wasatch Venture Fund

AGF Private Equity Holding:

Manager: AGF Private Equity
Target Size (mn): 200 EUR
Closings (mn): 1st Close: 100 EUR (Oct-2002),
 2nd Close: 166 EUR (Dec-2004)
Final Close (mn): 180 EUR (Jan-2005)
Placement Agent: Not Used

GS Private Equity Partners 2004:

Manager: Goldman Sachs Private Equity Group
Final Close (mn): 1200 USD (Mar-2005)

Morgan Stanley Private Markets Fund II:

Manager: Morgan Stanley Alternative Investment Partners
Final Close (mn): 500 USD (Mar-2005)

Funds in Market: Additional Information

The Funds in Market Spotlight includes each month 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 600 funds currently being raised can be viewed on our online database, Funds in Market.

This section also includes sample information on funds which have closed during the month. A complete list of all funds closed over the last 12 months is also available on our online database, Funds in Market.

Please email firm@preqin.com for more information.

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. This month we take an overview of private equity investors around the globe. In future editions we will analyse investors in a specific region.

INVESTOR NEWS

New Mexico State Investment Council is to build on its interests in mid-market Buyouts, niche/special situation Buyouts, Secondary and Mezzanine funds. In 2004, the SIC invested USD 300 million in 15 funds and for 2005, it hopes to invest more capital in fewer funds. [more...](#)

Key Capital will start to look at opportunities outside of the US during 2005. To date all investments have focused on the US but in 2005 they plan to look at Buyout and Secondary opportunities in Europe. [more...](#)

Skandia is looking to further diversify its portfolio during 2005 making investments in Europe and the US as it believes its current allocation is too heavily weighted towards Swedish currencies. [more...](#)

During February the **Irish National Pension Reserve Fund** announced it would be allocating EUR 940 million of its nearly EUR 12 billion under management to Private Equity. Investments will be made progressively over the coming years with a target of reaching this figure by 2009. [more...](#)

Morgan Stanley Alternative Investment Partners (AIP) has closed its second Private Markets fund-of-funds vehicle on USD 500 million. Similar to its predecessor, Private Markets Fund II will be focusing on US and European buyouts, global venture capital and special situations. [more...](#)

Ontario Municipal Employees Retirement System (OMERS) is beginning to reap the rewards of its new investment strategy focusing on alternative investments. OMERS saw a return of 12.5% on private equity investments for 2004. Over the next 4-5 years OMERS will aim to invest 15% of total assets in real estate, 10% in private equity and 15% in infrastructure. Consequently, it is reducing exposure to public stock and bond markets. The fund has

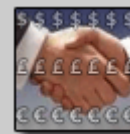
established a benchmark of 7.6 percent for private equity for 2005. The overall investment benchmark for 2004 was 9.9 percent. Historically, OMERS has participated in Private Equity through limited partnerships managed by external firms. Today, OMERS also seeks direct investment opportunities to co-invest with like-minded investors. [more...](#)

Fonds de Réserve pour les Retraites (FRR), is in the process of hiring a consultant in order to find private equity managers. The search is being carried out by investment consultant, Mercer, and FRR plans to make the final selection in Autumn 2005. The fund is expected to invest several hundred million euros in private equity. It is unlikely the mandate will be restricted to domestic funds only. The FRR was set up in 1999 to provide financial support to France's pay-as-you-go (PAYG) state pension scheme, it is funded from company taxes and privatisation proceeds. [more...](#)

Over the next 5-7 years, **New Jersey State Investment Council** plans to invest up to USD 4.9 billion in private equity. This sum would see it become the fifth largest US pension scheme in the asset class. The decision to place as much as 13% of total assets in alternatives includes between USD 2.8-3.5 billion being invested in hedge funds, and USD 2.8-3.5 billion in property, timber and oil and gas. [more...](#)

Do you need information on LP's worldwide? Complete with background, contacts, program size, investment plans, existing portfolio and funds previously invested with? Investor Intelligence is your indispensable information resource for fund raising and investor relations.

Contact sales@preqin.com for more information.



INVESTOR SPOTLIGHT

PRIVATE EQUITY INVESTOR UNIVERSE

Private Equity Intelligence have identified more than 2,600 investors in Private Equity from around the globe. These investors have aggregate allocations to private equity of over \$800bn.

From the table below you can see that there are many different types of investors and they vary considerably in significance.

Fund of Funds are the largest investors in the asset class with over \$250bn managed by nearly 200 firms. This accounts for nearly 32% of all money invested in Private Equity so is clearly a crucial source of funding for any firm.

The next most significant investors are public pension funds with just over \$200bn invested and accounting for 25% of Private Equity investments.

	No.	Funds Managed (\$bn)	% of Value
Private Equity Fund of Funds	187	267	31.9%
Public Pension Fund	319	210	25.1%
Corporate Pension Fund	393	90.3	10.8%
Insurance Company	172	59.8	7.1%
Investment Company	188	55.7	6.7%
Bank	162	33.4	4.0%
Foundations and Family Offices	467	27.2	3.2%
Endowment Plan	328	26.7	3.2%
Asset Manager	75	18.2	2.2%
Secondary Fund of Funds	8	15.1	1.8%
Corporate Investor	148	12.6	1.5%
Investment Bank	82	12.4	1.5%
Government Agency	48	8.4	1.0%

5 of the biggest investors by Private Equity commitment:

- Alpinvest Partners
- Hamilton Lane
- CalPERS
- New York State Common Retirement Fund
- Oregon State Treasury

Together, they have over \$77 billion committed to Private Equity or nearly 10% of total money invested. Note, investments made by Hamilton Lane are in many cases made for their clients.

2005 Global Fund Raising Review

The Review is your comprehensive guide to the Private Equity Fund Raising Market.

- The Fund Raising Market in 2004: Funds closed in 2004 by type and location, patterns of investments, mix and diversity of LPs by type of fund, placement agent league tables and more.
- Prospects for Fund Raising in 2005: Funds currently on the road, likely new follow-on funds, LP appetite for new commitments, areas of investor interest.
- Listing: All funds closed in 2004 including sample investors and placement agents, all funds currently raising and nearly 400 funds likely to be launched in 2005.
- Investor Profiles: Detailed profiles of 50 of the largest global LPs and their investment plans for 2005.

This vital information for GPs, LPs and advisors is out now priced \$645 / £345 / €495.



[More Information and Sample Pages](#)