Private Equity Spotlight

March 2007 / Volume 3 - Issue 3

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

FEATURE ARTICLE

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Fees Carry and Alignment: How is the alignment between the different groups that make up the private equity industry standing up as funds are getting bigger? We examine whether traditional fee and carry structures will continue to serve LPs and GPs well looking forward.

PERFORMANCE SPOTLIGHT

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This month we explore the contrasting performance characteristics of venture and buyout funds and demonstrate that, even though buyouts have captured the plaudits in recent years, venture still has a place in LPs' portfolios.

FUNDRAISING

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2006 was an excellent year for fundraising in Emerging Markets, with 154 funds achieving a final close, raising an aggregate $52bn in commitments. This month we examine the latest data for Emerging Markets fundraising, along with our regular look at Buyout, Venture and Real Estate funds.

No. of Funds on Road	US	Europe	ROW	Total
Venture	220	107	87	414
Buyout	127	51	29	207
Funds of Funds	71	53	14	138
Real Estate	64	14	17	95
Other	78	20	29	127
Total	560	245	176	981

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Foundations and Family Offices Special Report

- In this month's extended Investor Spotlight we examine the latest trends within this important group of investors.

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All the latest news on investors in private equity:

- Finnish Local Government Pensions Institution increases its allocation to private equity real estate
- University of Minnesota Foundation looks for new real estate advisor to invest in private real estate funds
- Mississippi Public Employees' issues an RFI for an alternative investment consultant
- AA Pension Scheme commences investment in private equity
- Plus more...

The 2007 Global Fundraising Review

TWO - FOR - ONE SPECIAL OFFER

See inside for further details

Private Equity Spotlight

"Is the LP's opportunity cost of capital really zero? Shouldn't the carry be based on gains above a realistic opportunity cost of capital?"

Feature Article: Fees, Carry and Alignment. One of private equity's greatest strengths is clearly the alignment of interests that runs through the entire industry, from the investors in the funds through the GP and on to the managers in the portfolio companies. Put this together with closely involved non-execs and the focus that high levels of debt bring, and you have a winning formula. So, how is the alignment standing up as funds get bigger?

Average management fee rates for buyout funds have barely changed over the past decade – perhaps unsurprising given the strength of LPs' appetites. However, fee rates tend to vary with fund size – from around 2.1% for the smallest funds to 1.5 – 1.6% for the largest. There has been a lot of talk about the levels of fees earned by the largest funds, and the table shows the number of buyout funds globally currently in their investment periods, and compares this with 2000.

The first point to note is that, for the vast majority of the industry, nothing much has changed. Most funds are still of a size where the fees provide adequate resources for operating the fund, but where significant wealth creation for the GP depends upon the carry.

The industry has, of course, grown, and as a result aggregate management fees globally for funds in their investment periods are now around $12.4 billion, up from $5.5 billion in 2000 (and a further $4 – 6 billion could be added for older funds now past their investment period, giving a total of around $18 billion for the entire industry.) To put this in the context of the size of the industry and the size of the carry pool, the total carry earned by private equity funds worldwide between late 2005 and late 2006 was around $24 billion. In other words, Carry is still the biggest element for most GPs, and can therefore be relied upon to do its interest-aligning job.

It is at the top of the size range where things have really changed, with over 20 funds globally now earning in excess of $100 million per year in management fees. Whilst these are indeed large sums, we mustn't lose perspective: running a mega-fund with the levels of due diligence and management attention that their large investments warrant simply does cost a lot more than running a smaller fund. However, it is indisputably true that the large fees have changed the game, and the '1.5% and 20%' becomes a much blunter instrument for aligning LP and GP interests for the largest funds. These largest funds will each generate cumulative management fees of $1 billion or more over their lifetimes – significant sums indeed when only a dozen private equity funds have ever earned more than $500 million in Carry (please see 2006 Value Creation and Carry Review for details.) Whilst the Carry from today's mega funds

Annual Management Fees	Number of Funds	
	2000	2007
>$200mn	-	6
$100 - 199mn	1	18
$50 - 99mn	18	30
$25 - 49mn	35	44
$10 - 24mn	86	155
<10mn	424	580

could definitely exceed these figures, it is equally entirely possible that a reduction in average returns could see Carry taking second place to management fees.

While we're on the subject of blunt instruments, what about the structure of the Carry itself? A hurdle rate is a good start, but for the 20% carry to then apply to all gains is bizarre. Is the LP's opportunity cost of capital really zero? Shouldn't the carry be based on gains above a realistic opportunity cost of capital?

Speaking of 'realistic', are changes to the current norms possible or likely? As long as buyout funds perform as well as they have been, and as long as LP appetite for them remains as strong as it is, GPs are unlikely to give ground. And nor should they. Private equity is delivering excellent returns to its investors, and GPs fully deserve to be rewarded. What we're talking about is the structure of the rewards, and using this to re-align LP and GP interests better. A lower management fee, related to actual budgeted costs for running the fund, combined with a higher carry share struck after a realistic opportunity cost of capital, would achieve this. Conversely, an element of deal-by-deal carry in the mix could reward GPs earlier for good performance, thereby securing talent and protecting LPs from a potential 'all or bust' attitude from funds that may be struggling.

Historic fee and Carry arrangements have served LPs and GPs well. However, they may work less well in future. The first major private equity firm to address this could gain an important competitive advantage.

This month's feature article draws on data from the forthcoming 2007 Private Equity Fund Terms Advisor - a detailed review of the terms and conditions employed by private equity partnerships. This year's Advisor is based upon a detailed analysis of over 1,000 funds of different types from the US, Europe and Rest of the World.

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The 2007 Global Fundraising Review

Vital information to help you understand the market in 2007:

- Demand: Where is LP demand strongest? Prospects for 2007?
- LPs: Which LPs are most active? Top LPs committing to new funds in 2007?
- Competition: Who is currently on the road? Who is likely to launch a new fund in 2007?
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Performance Spotlight

Performance Spotlight is your monthly update on Private Equity Performance. This month we explore the contrasting performance characteristics of venture and buyout funds and demonstrate that, even though buyouts have captured the plaudits in recent years, venture still has a place in LPs' portfolios.

This month Spotlight analyses the performance of the two most prominent sectors of the private equity industry: buyout and venture. Across all vintage years, Preqin holds performance information for 822 buyout funds and over 1,240 venture funds.

Fig.1 shows the dispersion of the net IRRs produced by both venture and buyout funds. The chart demonstrates that the returns of the venture category are more dispersed than those of the buyout. It can be seen that 10% of all venture funds generated IRRs below -17%, whilst conversely 10% of venture funds have produced an IRR of over 46%. Within the buyout industry, 10% of funds have an IRR lower than -8% whilst 10% of buyouts have produced an IRR greater than 34%. These figures demonstrate that when investing in venture funds, LPs are more likely to suffer significant losses than with a buyout vehicle, but also much more likely to receive extremely high returns. This verifies the risk return trade-off differences between venture and buyout.

This analysis does not account for factors such as vintage year or current market conditions, both of which are important aspects of the private equity industry. Fig. 2 shows the net median IRR generated by the venture and buyout category for the vintage years 1990 to 2004.

Historically, venture funds have been the better performing sector of the industry. This ended in 1998/1999 during the Tech Bubble, when the venture industry suffered severe losses from which it has still not entirely recovered. The performance of buyout funds have been generally strong historically, with net IRRs in the region of 10% to 20%.

Buyout and venture are very different assets which produce non-correlated performance. If investors should strategically weight their allocation between these categories, the evidence shows that they should not entirely exclude venture funds from their investment portfolio. The venture category is steadily improving and the best venture fund managers are still creating value far exceeding those found in all other private equity fund types.

Fig.1 Dispersion of Net IRR: Buyout / Venture

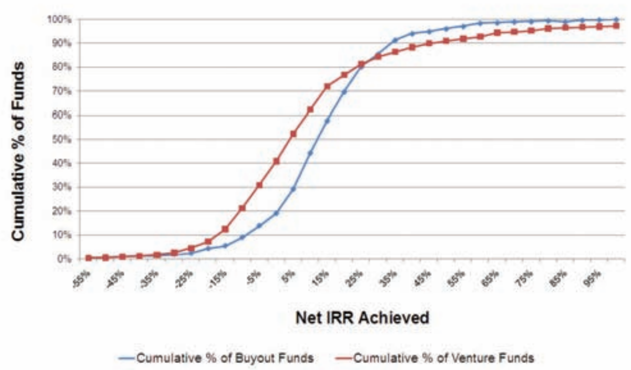
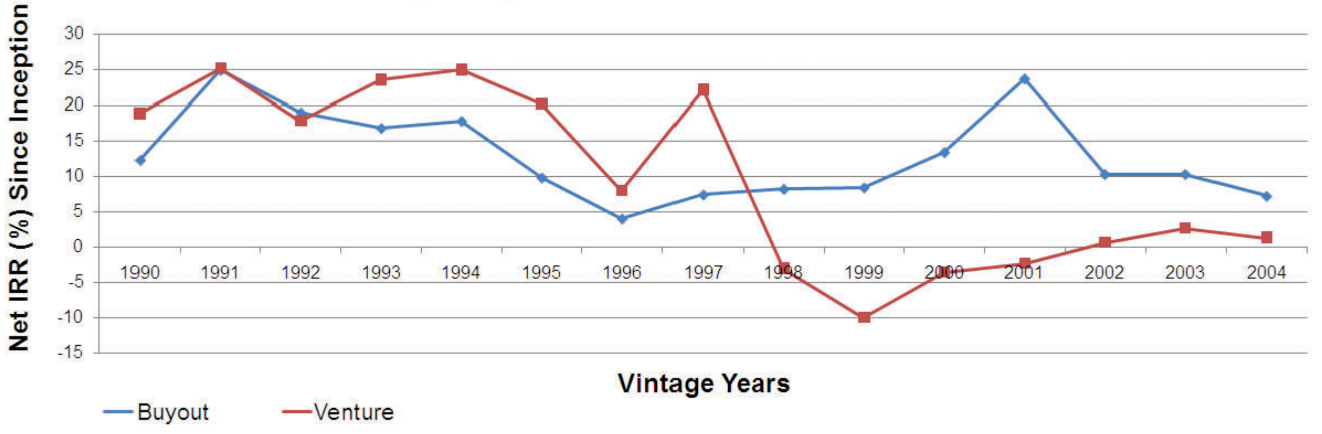


Fig.2 Buyout vs. Venture: Median net IRR



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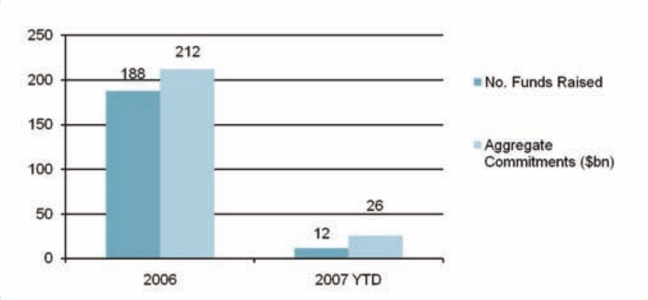
Funds In Market
Buyout

BUYOUT FUNDS ON THE ROAD

	US	Europe	ROW	Total
No. on Road	127	51	29	207
Total Target Value ($bn)	169	43	9	221
Average Target Size ($mn)	1,334	843	322	1,070

FINAL CLOSES BAROMETER



BUYOUT FUNDS ON THE ROAD

Fund	Manager	Target Size (mn)	GP Location
GS Capital Partners VI	Goldman Sachs	19,000 USD	US
KKR Fund 2006	Kohlberg Kravis Roberts	16,625 USD	US
Carlyle Partners V	Carlyle Group	15,000 USD	US
Apax Europe VII	Apax Partners	8,500 EUR	UK
KKR European Fund III	Kohlberg Kravis Roberts	7,700 EUR	US
Thomas H Lee VI	Thomas H Lee Partners	9,000 USD	US
Hellman & Friedman VI	Hellman & Friedman	8,000 USD	US
Silver Lake Partners III	Silver Lake Partners	8,000 USD	US
Carlyle Europe Partners III	Carlyle Group	5,000 EUR	US
JC Flowers II	JC Flowers & Co	6,000 USD	US

RECENTLY CLOSED BUYOUT FUNDS

Providence Private Equity Partners VI:
Manager: Providence Equity Partners
Target Size (mn): 8,000 USD
First Close (mn): 8,000 USD (December-2006)
Final Close (mn): 12,000 USD (February-2007)
Geographic Focus: North America, West Europe
Industry Focus: Communications, Media, Information Services
Sample Investors: Irish National Pension Reserve Fund, Los Angeles Fire and Police Pension System, Ohio School Employees' Retirement System, Partners Group

India Value Fund III:
Manager: India Value Fund Advisors
Final Close (mn): 400 USD (February-2007)
Geographic Focus: India
Industry Focus: Healthcare, Media, IT, Biotechnology, Entertainment, Outsourcing
Lawyer: Pepper Hamilton

Excelsior Capital Asia Partners III:
Manager: Excelsior Capital Asia Partners
Target Size (mn): 200 USD
Final Close (mn): 185 USD (February-2007)
Geographic Focus: Asia
Industry Focus: Any
Lawyer: Simpson, Thacher & Bartlett
Sample Investors: Pennsylvania SERS

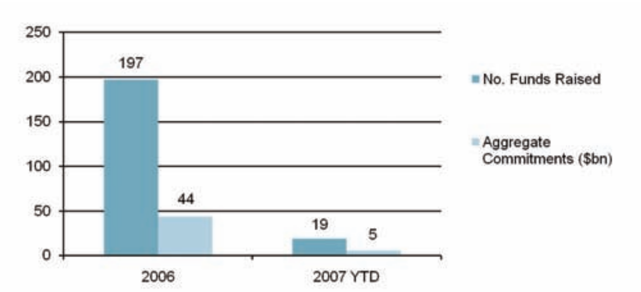
Thompson Street Capital Partners II:
Manager: Thompson Street Capital Partners
Target Size (mn): 250 USD
Final Close (mn): 300 USD (March-2007)
Geographic Focus: US
Placement Agent: Monument Group
Industry Focus: Healthcare, Consumer Products, Distribution, Consumer Services, Transportation, Manufacturing, Any

Funds In Market
Venture

VENTURE FUNDS ON THE ROAD

	US	Europe	ROW	Total
No. on Road	220	107	87	414
Total Target Value ($bn)	44	16	11	71
Average Target Size ($mn)	203	150	125	171

FINAL CLOSES BAROMETER



VENTURE FUNDS ON THE ROAD

Fund	Manager	Target Size (mn)	GP Location
VantagePoint Venture Partners V	VantagePoint Venture Partners	1,250 USD	US
InSight Capital Partners VI	InSight Capital Partners	1,200 USD	US
DIB Media & Telecommunications Fund	Dubai Islamic Bank	1,000 USD	UAE
Red Zone Capital Partners II	Red Zone Capital Partners	750 USD	US
Carlyle Venture Partners III	Carlyle Group	700 USD	US
Paul Royalty Fund III	Paul Capital Investments	650 USD	US
Draper Fisher Jurvetson IX	Draper Fisher Jurvetson	600 USD	US
FTVentures III	FTVentures	600 USD	US
Venrock Associates V	Venrock Associates	500 USD	US

RECENTLY CLOSED VENTURE FUNDS

SV Life Sciences VI:
Manager: SV Life Sciences
Target Size (mn): 400 USD
First Close (mn): 225 USD (June-2005)
Final Close (mn): 572 USD (February-2007)
Geographic Focus: North America, Europe
Industry Focus: Life Sciences
Sample Investors: Pearl Holding, Princess Private Equity

Clairvest Equity Partners III:
MManager: Clairvest Group
Target Size (mn): 300 CAD
First Close (mn): 180 CAD (April-2006)
Final Close (mn): 300 CAD (February-2007)
Geographic Focus: Canada, UK, US
Industry Focus: Consumer Products, Industrial, Financial Services, Gambling, Business Services, Medical Devices
Lawyer: Goodmans
Sample Investors: CPP Investment Board

MPM Bioventures IV
Manager: MPM Capital
Target Size (mn): 650USD
Final Close (mn): 550 USD (February-2007)
Geographic Focus: US
Industry Focus: Healthcare, Life Sciences, Biotechnology
Placement Agent: Atlantic-Pacific Capital
Sample Investors: AlpInvest Partners, Dow Chemical Company Pension Fund, Ewing Marion Kauffman Foundation, GE Healthcare Financial Services, Scottish Widows, Skandia

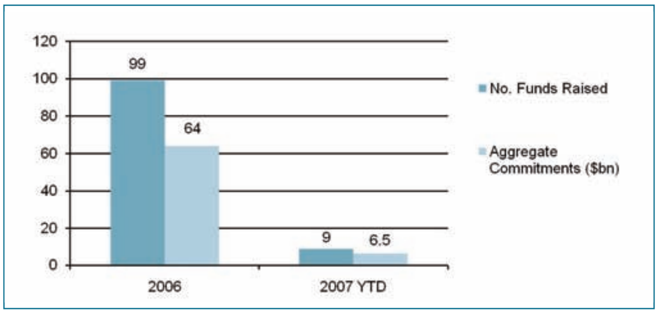
Index Ventures VI:
Manager: Index Ventures
Final Close (mn): 350 USD (February-2007)
Geographic Focus: Europe
Industry Focus: Technology, Telecoms, Healthcare, IT, Life Sciences, High-Tech, Software, Internet, Computer Services, Information Services, Medical Devices, Clean Technology
Sample Investors: Berenberg Private Capital, Finama

Funds In Market
Real Estate

REAL ESTATE FUNDS ON THE ROAD

	US	Europe	ROW	Total
No. on Road	64	14	17	95
Total Target Value ($bn)	38	5	4	47
Average Target Size ($mn)	586	388	263	499

FINAL CLOSES BAROMETER



REAL ESTATE FUNDS ON THE ROAD

Fund	Manager	Target Size (mn)	GP Location
Blackstone Real Estate Partners VI	Blackstone Group	10,000 USD	US
Beacon Capital Strategic Partners V	Beacon Capital Partners	3,000 USD	US
Carlyle Realty Partners V	Carlyle Group	1,500 USD	US
TA Realty Associates VIII	TA Associates Realty	1,500 USD	US
Aberdeen European Shopping Property Fund	Aberdeen Property Investors	1,000 EUR	Sweden
Westbrook Real Estate Fund VII	Westbrook Partners	1,250 USD	US
MacFarlane Urban Real Estate II	MacFarlane Partners	1,200 USD	US
Cherokee Investment Partners IV	Cherokee Investment Partners	1,000 USD	US
Quinlan Private European	Quinlan Private	1,000 USD	US
Tishman Speyer European Real Estate Venture VI	Tishman Speyer	650 EUR	US

RECENTLY CLOSED REAL ESTATE FUNDS

Rockport Finance Fund I:
Manager: Rockport
Final Close (mn): 500 USD (January-2007)
Geographic Focus: US
Sample Investors: New York State Teachers' Retirement System, Oregon Public Employees' Retirement Fund, Pennsylvania State Employees' Retirement System

Sterling American Property III:
Manager: Sterling American Property
Target Size: USD 600
Final Close (mn): 610 USD (January-2007)
Geographic Focus: US, North America

CB Richard Ellis Strategic Partners IV:
Manager: CB Richard Ellis
Final Close (mn): 1,200 USD (January-2007)
Geographic Focus: US
Sample Investors: California State Teachers' Retirement System, New York State Teachers' Retirement System, North Carolina Department of State Treasurer, Irish National Pension Reserve Fund, Ohio School Employees' Retirement System

Sparinvest Property Fund of Funds:
Manager: Sparinvest Property Investors
First Close (mn): 310 EUR (January-2006)
Second Close (mn): 350 EUR (June – 2006)
Final Close (mn): 489 EUR (January-2007)
Geographic Focus: North America, West Europe, Asia, Global
Sample Investors: SEB Asset Management

Funds In Market
Emerging Markets

EMERGING MARKETS FUNDS ON THE ROAD

	Total
No. on Road	246
Total Target Value ($bn)	68
Average Target Size ($mn)	276

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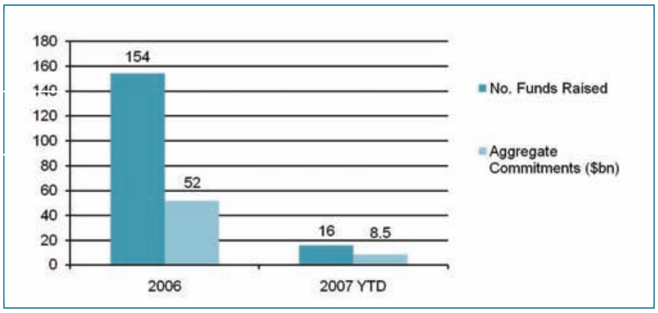

EMERGING MARKETS FUNDS ON THE ROAD

Fund	Manager	Target Size (mn)	GP Location
India Advantage Fund VII	ICICI Venture Funds Management	5,000 USD	India
KKR Asia Fund	Kohlberg Kravis Roberts	4,000 USD	US
Abraaj Infrastructure and Growth Capital Fund	Abraaj Capital	2,000 USD	UAE
Gulf One Infrastructure Fund I	Gulf One	2,000 USD	Bahrain
IDFC Indian Infrastructure Fund	IDFC Private Equity	2,000 USD	India
Pangaea Capital Fund	Pangaea Capital Management	1,500 USD	Singapore
Climate Change Capital Carbon Fund II	Climate Change Capital	850 EUR	UK
Carlyle Middle Eastern Fund	Carlyle Group	1,000 USD	US

RECENTLY CLOSED EMERGING MARKETS FUNDS

Brysam Global Partners:
Manager: Brysam Global Partners
Fund Type: Venture
Final Close (mn): 1,000 USD (January-2007)
Geographic Focus: China, India, Mexico, Russia
Industry Focus: Financial Services

Affinity Asia Pacific Fund III:
Manager: Affinity Equity Partners
Fund Type: Buyout
Target Size (mn): 2,000 USD
Final Close (mn): 2,800 USD (January-2007)
Geographic Focus: Asia
Industry Focus: Healthcare
Lawyer: Clifford Chance
Sample Investors: Washington State Investment Board

AIG Asian Opportunity Fund II:
Manager: AIG Global Investment Group
Fund Type: Balanced
Target Size (mn): 500 USD
First Close (mn): 200 USD (November-2005)
Final Close (mn): 410 USD (February-2007)
Geographic Focus: Asia
Industry Focus: Any

HIPEP V-Asia Pacfic and Rest of World Fund:
Manager: HarbourVest Partners
Fund Type: Fund of Funds
Target Size (mn): 300 USD
Final Close (mn): 527 USD (January-2007)

Product Spotlight: Investor Intelligence

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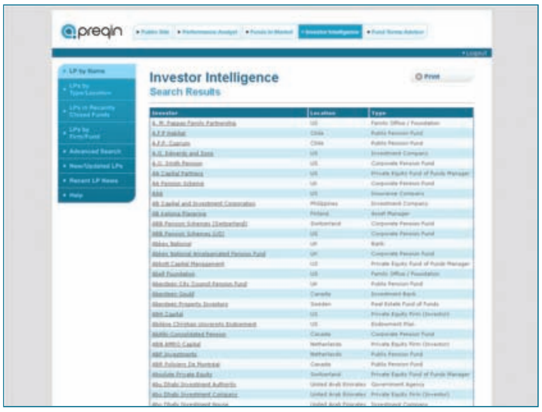

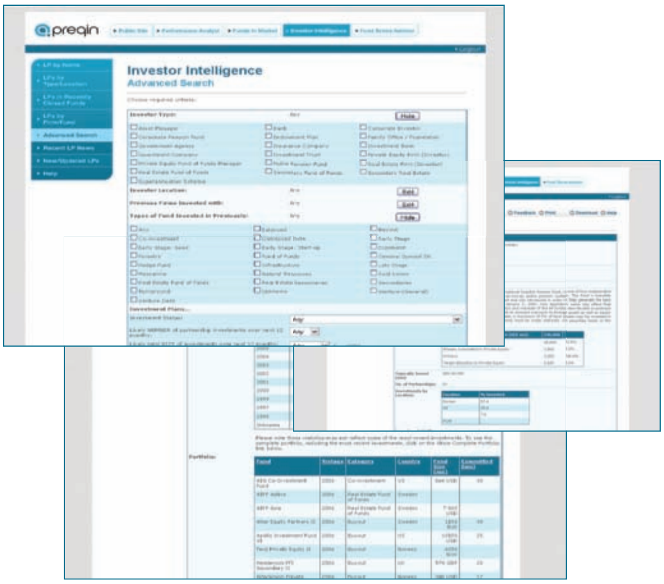

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Investor
Spotlight: Foundations and Family Offices

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 - in this month's special report we look at Foundations and Family Offices.

In 2006, family offices and foundations were the fifth most prevalent investor group in closed funds, comprising 8% of all investments in private equity funds closed during the course of the year. A recent survey carried out by Private Equity Intelligence on 80 foundations and family offices revealed that the majority of institutions are set to continue investing, whilst new investors who are making commitments for the very first time continue to enter into the asset class.

The steady increase in capital and number of investors entering the private equity asset class in recent years has correspondingly resulted in a rise in the number of foundations and family offices looking for good investment opportunities. Our Investor Intelligence database now hosts some 3,360 individual profiles of investors in private equity, of which no less than 460 are foundations or family offices. With an average current commitment to the asset class of 13.5% of total assets, and an average target allocation of 16.1% there is the potential for foundations and family offices to invest a significant amount more capital. We predict that family offices and foundations will invest USD 40 billion of new commitments during 2007.

Although philanthropic foundations and family offices are relatively small by comparison to some of the larger institutional investors within the market, they nonetheless play a significant role within the industry and have for some time been seen as an important ingredient in any fund manager's mix of investors. Much of their popularity is due to the readily available pools of capital at their disposal, which can typically be deployed much faster than other investors, such as public pension funds, who will often have to go through a much longer decision process.

As can be seen in Fig. 1, the vast majority of family offices and foundations are US-based. European foundations and family offices account for 10% of all foundations and family offices, whilst foundations and family offices located in the Rest of the World account for the remaining 4%. Currently the 384 US foundations have total estimated aggregate commitments to private equity of USD 322 billion (see Fig. 2). Outside of the US, the UK, Canada and Germany have the next highest numbers of foundations investing in private equity.

Fig. 3 lists the top 10 foundations investing in private equity by current commitment. Interestingly this group of investors have very contrasting investment strategies. The group is headed by the Wellcome Trust, the UK's largest investor in private equity. The Trust is opportunistic in its investment strategy and does not set a target allocation, instead viewing private equity

Fig. 1: Foundations and Family Offices by Regional Location

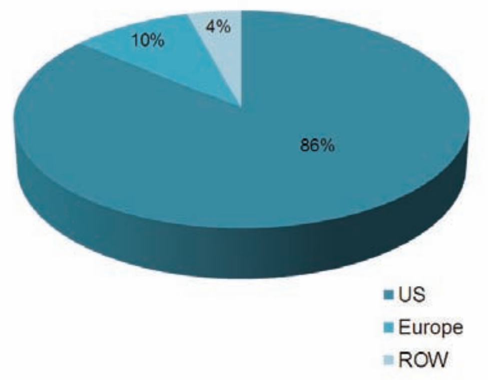


Fig. 2: Countries with most Foundations Investing in Private Equity

Country	Number of Foundations / Family Offices Investing in PE	Estimated Aggregate Commitments to PE ($bn)
US	384	322
UK	12	38
Canada	10	2
Germany	9	5
Switzerland	7	1

investments as one part of a global multi-asset portfolio which includes a number of other alternative investments. To date the Trust is estimated to have committed USD 2.7 billion to the industry. The Ford Foundation and Andrew W. Mellon Foundation, like the Wellcome Trust are also opportunistic when selecting private equity offerings, preferring to invest when and if the investment is attractive enough, rather than for the sake of meeting predetermined targets. Four of the foundations included in the list, the William & Flora Hewlett Foundation, the MacArthur Foundation, the Mayo Foundation, the Robert Wood Johnson Foundation, differ in their investment strategies, choosing to set a target allocation to the asset class which they then look to fill. Interestingly, the William & Flora Hewlett, MacArthur and Mayo Foundations have all reached their target allocations, whilst the Alfred I. duPont Foundation has heavily overcommitted its 10% target allocation by over 8%, working on the basis that this will allow for the drawing out of money and future growth of the Trust's asset base. At the other end of the spectrum, the Howard Hughes Medical Institute Endowment, which has some USD 1.8 billion at work, is rumoured to be looking to reduce its exposure to the asset class via sales on the secondary market.

Nevertheless, the prospect of high returns is continuing to attract more foundations and family offices of various sizes and from a variety of locations to the asset class. In 2006, both the USD 510 million, Swedish-based Nobel Foundation and the USD 2.2 billion, US-based Harry and Jeanette Weinberg Foundation made their entry into the asset class. The Nobel Foundation has hired a London based advisory firm to guide it in its first investments whilst the Weinberg Foundation committed to two fund of funds vehicles raised by Pantheon Ventures and HarbourVest Partners. In addition, another large new European player has emerged, the Italian-based Compagnia di San Paolo made its first commitment in 2004 but has only recently started investing heavily, committing to 9 funds in 2006 including: Blackstone Capital Partners V, Centerbridge Capital I, Nordic Capital Fund VI, Permira IV and Texas Pacific Group Partners V. Furthermore, another large US-based foundation, the USD 5.8 billion David and Lucile Packard Foundation is currently in the process of hiring a chief investment officer in order to make its entry into the market later this year.

The information in our Investor Intelligence database indicates that the vast majority of foundations and family offices investing in private equity do so on a fairly small scale (see Fig. 4). An analysis of current commitments reveals 88% of the family offices and foundations on our system have less than USD 500 million invested, accounting for just 40% of the total capital committed by foundations and family offices. By contrast, this means that a small percentage of top end investors are accounting for a very large share of investments, in fact figure 4 shows just 5% of the foundations on our database have in excess of USD 1 billion invested and account for 37% of the total capital committed to the industry.

Fig. 3: 10 Largest Foundations Sorted by Current Commitments to Private Equity

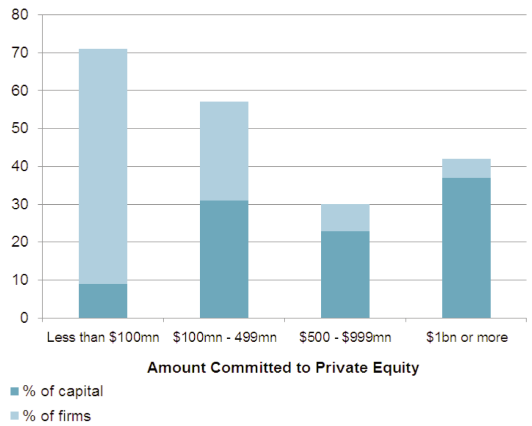
	Name	Total Assets ($mn)	Current Commitment to PE (%)	Current Commitment to PE ($mn)
1	Wellcome Trust	27,426	10	2,743
2	Howard Hughes Endowment	16,000	11	1,760
3	Ford Foundation	12,900	10	1,290
4	Robert Wood Johnson Foundation	9,359	12	1,123
5	MacArthur Foundation	5,490	18.2	1,000
6	Alfred I. duPont Testamentary Trust	4,300	18.1	778
7	Cascade Investment	10,000	7.5	750
8	William & Flora Hewlett Foundation	7,500	10	750
9	Andrew W. Mellon Foundation	5,000	14	700
10	Mayo Foundation	4,442	15	666

Investor Spotlight

Following our conversations with foundations and family offices it is evident that an increasing number of these institutions believe more good investment opportunities are starting to be found outside of the US, in locations such as Europe and Asia where the market is less mature. In response foundations and family offices are adjusting their investment plans to include these markets. The Robert Wood Johnson Foundation recently committed to an Asian focused fund of funds. Similarly, the Alfred I. duPont Testamentary Trust is currently investing in emerging markets and has a 25% exposure to non-US funds which it expects to increase over time.

The high number of smaller investors participating within the market makes foundations and family offices ideal targets for fund of funds managers, who provide them with the exposure to the asset class they are after whilst at the same time offering access to more renowned fund managers and a lower level of risk for their investment. Nonetheless, smaller family offices and foundations do also invest directly in funds, examples of this include Huizenga Capital Management and the Goergen Foundation, both of whom are very small players with assets less than USD 40 million and yet have committed directly to a variety of different funds including: Northlight I, Beecken Petty O'Keefe II, Spray Venture Fund I, HKW Capital Partners II and First Reserve Fund VII and IX.

Fig. 4: Commitment to Private Equity



It seems that despite many critic's concerns and predictions of excess capital flooding into the private equity market, like most other investors, foundations and family offices are cautious but optimistic concerning the short term outlook for the industry. The majority of them still believe good investment opportunities are available and are set to continue investing both immediately and in the foreseeable future.

This month's special report draws on data from the Investor Intelligence database, a global database featuring detailed profiles for over 3,500 LP investors in private equity. For more information, and to register for your free trial please visit:

www.preqin.com/ii

Investor News

Finnish Local Government Pensions Institution has increased its allocation to value added real estate funds in a bid to diversify its real estate portfolio. Over the next 12 months the EUR 22 billion pension fund is planning to reduce its allocation to core funds from 80% to 30% and increase its allocation to value added funds from 20% to 60%. It is also planning to allocate 10% of its portfolio to opportunistic real estate funds. The pension fund in particular is looking to invest in European funds as it seeks to benefit from the high returns real estate is currently experiencing.

The USD 1.4 billion **University of Minnesota Foundation** has announced that it is looking for a new real estate fund manager to invest in private real estate funds. The foundation is very keen on expanding its already extensive private real estate portfolio as it seeks to benefit from the high returns that the asset class is experiencing.

The **Public Employees' Retirement System of Mississippi** has issued an RFI for an alternative investment consultant to cover its private equity, real estate and hedge fund investment programs. The USD 20.5 billion pension fund allocated 10% of assets to investment in alternative assets in 2005. Its target allocations are as follows: 7% to direct and indirect real estate, 5% to private equity and 5% to absolute return investments. Currently, it has 5% of its portfolio funded or committed to real estate and is set to soon increase its exposure to private equity and timber investments. Initial exposure to private equity will be achieved through investment in fund of funds vehicles. The deadline for the RFI is 20 March 2007.

AA Pension Scheme has decided to commence investment in the private equity asset class and has made its maiden commitment of GBP 25 million to a private equity fund of funds vehicle managed by Keyhaven Capital Partners. The GBP 1.17 billion pension scheme has set a target allocation of 5% to private equity. It is expected to make further commitments totaling GBP 25 million to US-based funds. It has also set aside a further GBP 65 million to European property and hedge funds.

BVV, the EUR 17.7 billion German pension fund, has allocated EUR 1 billion to investment in alternatives, including private equity and hedge funds. It is poised to make two commitments to private equity fund of funds vehicles, having already selected two fund managers. These investments will bring its allocation to private equity to 1.5% of assets.

The **South Carolina Venture Capital Authority** has made its first private equity commitments having earmarked USD 50 million back in 2005 for venture capital vehicles. From more than 50 candidates, four firms will be the recipients of the USD 50 million allocation: USD 20 million to Nexus Medical Partners; and USD 10 million each to Azalea Capital, Frontier Capital and Noro-Moseley Partners. The Authority is funding the program with loans from institutions, using USD 50 million of state tax claims as collateral. More money is available to the agency but the aim is to make the program self-perpetuating by reinvesting profits.

The **Washington State Investment Board (WSIB)** has made a very active start to 2007 with three more commitments to private equity buyout vehicles, bringing its year-to-date commitments to nearly USD 1.3 billion. The commitments include; up to USD 250 million to Providence Equity Partners VI, which closed on USD 12 billion; up to USD 100 million to Affinity Asia Pacific Fund III, which is working to raise USD 1.5 billion; and as much as USD 200 million to Blackstone Capital Partners V, which could attract as much as USD 20 billion. WSIB's investment in Blackstone brings its total commitment to the fund to USD 400 million, following another USD 200 million pledge that the retirement plan made back in March. WSIB has invested previously with KKR but the new commitments are the first time it has placed capital with Affinity or Providence Equity. These recent investments come just one month after the USD 76.3 billion pension plan earmarked up to USD 500 million for KKR's Asia fund and as much as USD 205 million for Green Equity Investors V. The WSIB has a 17% target allocation to private equity investments, as of yearend 2006 it had nearly achieved that quota.

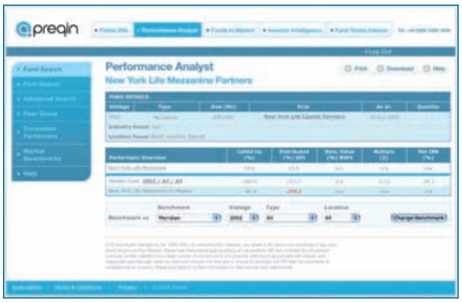
In The Spotlight:
Private Equity Intelligence

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, Fundraising and Fund Terms.

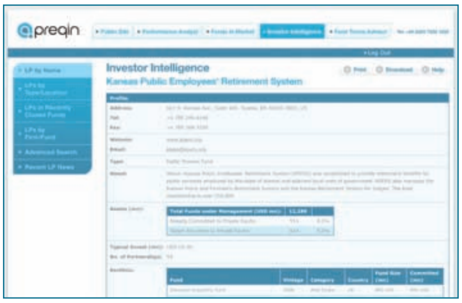
FUND PERFORMANCE:

We provide performance data for 3,000 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".



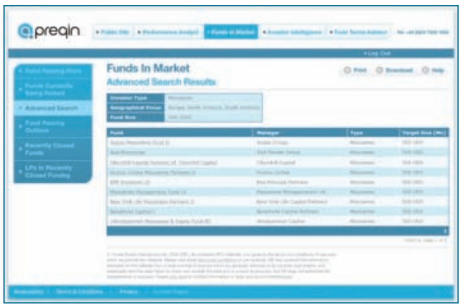
INVESTORS:

View profiles for 3,500 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 800 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 Fundraising Review".



FUND TERMS:

See valuable information on fees, costs and key terms for all types of funds, based upon an exhaustive analysis of data from over 700 funds. Ensure that negotiated terms are in line with industry best practice. This information is available through our publication "The 2006 Fund Terms Advisor", which also gives access to our online service showing benchmark figures based upon key fund features.