

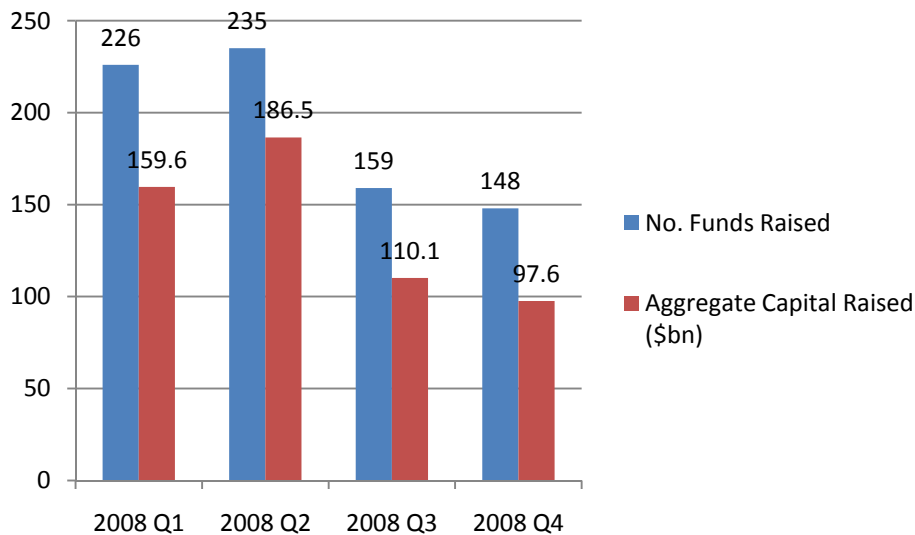
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## Dry Powder Available to PE Fund Managers Tops \$1 Trillion as 2008 PE Global Fundraising Hits \$554bn

**2008 PE fundraising second highest on record, although H2 sees significant drop.**

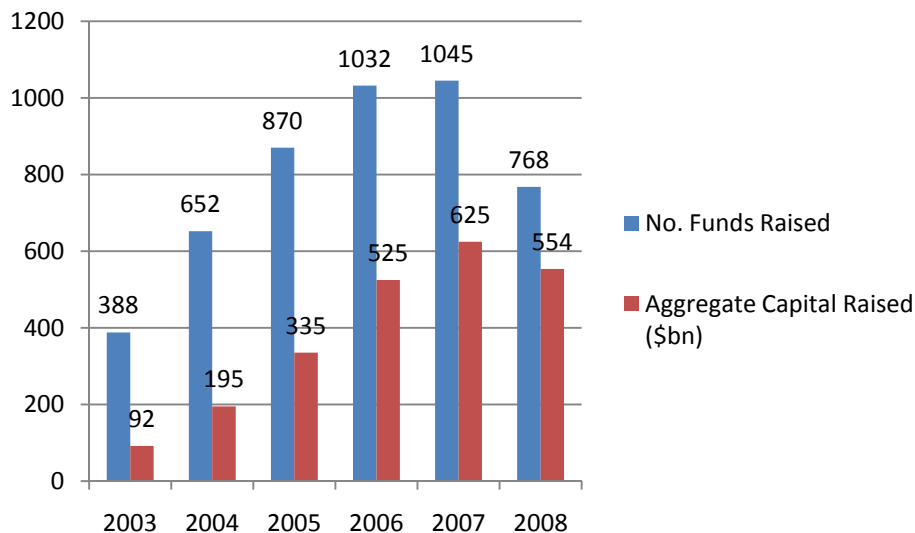
The latest fundraising data is now in, and Preqin's final figures for global private equity fundraising show that a total of 768 funds achieved a final close over the course of the year, raising an aggregate \$554bn in commitments. As Fig. 1 shows, this was not split evenly over the course of the year, and as the full force of the credit crunch hit in Q3 and Q4 of 2008 fundraising slowed significantly.

**Fig. 1: Quarterly Global Private Equity Fundraising, 2008**



However, 2008 remains a successful year for the global private equity industry in terms of capital commitments gained, and is the second highest fundraising year in the history of the industry.

**Fig. 1: Global Private Equity Fundraising, 2003 - 2008**



Here are the breakdowns for 2008 in terms of fund type.

Fund Type	No. Funds Raised	Aggregate Capital Raised (\$bn)
Buyout	170	216.1
Real Estate	166	116.8
Venture	217	49.4
Distressed Private Equity	23	42.5
Other	52	33.4
Mezzanine	26	29.4
Fund of Funds	81	28.0
Infrastructure	23	26.2
Natural Resources	10	12

Here are the breakdowns in terms of fund regional focus. It is interesting to note that funds focusing on Asia and the Rest of World have bucked the global trend, and have raised a record level of capital in 2008 for the region.

Region	No. Funds Raised	Aggregate Capital Raised (\$bn)
US	390	318.1
Europe	203	143.6
Asia and ROW	175	92.2

Fundraising in 2008 and other recent years has left private equity firms with significant levels of dry powder, or uncalled capital, available to invest in new deals in 2009. Using Preqin's performance data we are estimating that the total level of dry powder available to the industry is currently standing at \$1.02 trillion. Buyout funds are accounting for the largest portion of this, with a total of \$472bn available. The top ten managers in private equity have \$197bn in uncalled capital available to them alone, accounting for 19% of the global total.

Split of Global Private Equity Dry Powder by Fund Type:

Fund Type	Dry Powder (\$bn)
Buyouts	472
Real estate	196
Venture	138
Other Fund Types	209
Total	1015

Regional Split of Dry Powder held by Buyout Funds:

Regional Focus	Dry Powder (\$bn)
Europe	165
Asia and ROW	45
US	262

**Comment: Tim Friedman, Company Spokesman**

Although the number of funds achieving a final close has dropped, the number of vehicles on the road seeking commitments remains at record levels, with a total of 1,684 funds targeting an aggregate \$888bn in commitments as of January 2009. The already competitive conditions have now escalated to previously unseen levels, as the supply and demand balance has shifted well and truly to the supply side.

Fundraising has undoubtedly been affected by the turmoil in the global economy in the latter half of 2008. However, although the number and value of funds being raised has fallen significantly, fundraising has far from ground to a halt, with over 300 funds successfully raising over \$200bn in commitments in the second half of the year. In addition, 47% of funds currently still raising have already held an interim close, and are therefore relatively likely to be closing in the coming year – indicating a good momentum in the fundraising market.

Although it is true that some of these commitments would have been agreed before conditions turned especially ugly in H2 2008, a significant proportion would have been accounted for by investors still actively investing in private equity. Although conditions are not as promising as in previous years, a well thought out strategy can still yield results even in these challenging times.

Far from being put off as a result of the dramatic events in the market in recent months, the majority of investors remain positive towards private equity. A Preqin survey conducted in December 2008 reveals that 29% of investors intend to increase their private equity portfolios in the medium to long term, while 67% intended to maintain their allocations. Only 4% of those polled intend to reduce their allocations to private equity in the future.

Although many investors are currently not in a position to be making new investments, we expect that as market conditions settle, and once FASB 157 has taken effect and is reflected in GP's performance figures, investors will be able to better understand their current position with regards to their private equity allocations, and many will be able to re-enter the market. However, in many cases the scale and size of investments will have been cut back, and there will not be enough capital available to fulfil the fundraising objectives of all managers currently on the road.

We expect that while some managers will be able to close funds on target, we will also see increasing instances of fund targets being lowered, fundraising being extended for longer periods of time, and even instances of fund managers postponing or abandoning their efforts until the market becomes more receptive.

**Note to editors: Please note that Preqin has now entirely replaced Private Equity Intelligence as the company name. Preqin requests that any attributions be made to 'Preqin', which is an 'alternative assets research and consultancy group'.**

For more information on Preqin, please visit [www.preqin.com](http://www.preqin.com)

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