

Asian Private Equity Market Shows Considerable Momentum

47% of Asia-focused vehicles have held an interim close, having raised an aggregate \$26.2bn towards their targets

Although fundraising conditions remain challenging around the globe, Asia-focused funds on the road are showing considerable momentum, with many having already held interim closes, and the market is welcoming back many large players that have launched new funds, according to the recently released Preqin Special Report: Asian Private Equity.

Significantly, institutional investor interest in the region remains strong. Preqin's interviews with over 100 institutional investors from around the world with an interest in Asia revealed that, during 2012 so far, 35% of investors interviewed had made new commitments to Asia-focused private equity funds, and 34% expect to increase their allocation to Asia over the next 12 months; 65% are looking to maintain their level of exposure to the region.

Asia's private equity market continues to develop, as demonstrated by deal flow in the region – Asia looks set to remain prominent in the private equity and venture capital deal markets in the coming years. Deal flow in Asia witnessed noteworthy gains in late 2010 and into 2011, and the 216 deals valued at \$7.9bn in Q2 2012 represent a post-Lehman high for aggregate deal value in the region, despite a decline in deal value in Q1 2012.

Other Key Findings:

- 48% of investors prefer to gain exposure via funds that focus exclusively on investing in Asia; as the Asian economies have continued to develop, LPs are more confident in gaining exposure to solely Asia-focused funds.
- 49% of investors interviewed are planning to increase the proportion of their private equity portfolios that is allocated to Asia.
- Asia-focused funds have a median net IRR of 8.1%, compared to 7.2% and 8.0% for North America and Europe-focused funds respectively. Asia, however, also represents the most risky region of investment, with a standard deviation of 20.2%, compared to 15.9% and 17.4% for North America and Europe respectively.
- As of August 2012, growth funds accounted for 31% of the vehicles currently on the road targeting Asia.
- 2012 has already seen some of the largest global GPs back on the road with follow-one funds to earlier Asia-focused offerings, the largest of which include Kohlberg Kravis Roberts' second pan-Asia buyout fund KKR Asia Fund II, targeting \$6bn, and RRJ Management's RRJ Capital Master Fund II, targeting \$5bn.
- From January to August 2012, 76 Asia-focused private equity funds reached a final close, securing an aggregate \$20.4bn in capital commitments.
- Private real estate funds have emerged as one of the principal fund types in the Asia-focused private equity universe, with \$129.6bn raised by 299 such funds since 2000.
- Among the 100 investors with an interest in Asia interviewed by Preqin, 58% see Greater China as presenting the best investment opportunities in the region, followed by India, which was named by 36% of LPs.

To view the full report, please see:

http://www.preqin.com/docs/reports/Preqin_Special_Report_Asian_Private_Equity.pdf

Comment:

"The Asian private equity market has been buoyed in recent years by the rapid expansion of many Asian economies, the increasing maturity of the local private equity industry, and the recent turmoil that has prevailed in more developed markets. Private equity fundraising in the region experienced a decline post-financial crisis, with 159 funds closing on an aggregate \$30.8bn in 2009, less than half the capital raised in 2008. However, fund managers and investors alike seemed to regain confidence in the Asia's private equity market fairly quickly. In 2011, 207 Asia-focused funds closed on an aggregate \$52.7bn, approaching fundraising levels seen before the financial crisis.

With momentum in the fundraising market continuing to pick up, investors have turned to the region for risk diversification when faced with periods of economic instability in North American and European markets. Preqin's interviews with over 100 private equity investors with an interest in the region in August 2012 reveal that 34% plan to increase the proportion of their private equity portfolios allocated to Asia in the next 12 months, and 65% expect to maintain their allocations to the region; only 1% plan to decrease their exposure."

Mitul Patel, Manager – Asia Research

Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q', the company name being an amalgamation of the former name, Private Equity Intelligence.

About Preqin:

Preqin is the leading source of information for the alternative assets industry, providing data and analysis via online databases, publications and bespoke data requests.

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