

Investor Appetite for Large to Mega Private Equity Buyout Funds Increases

23% of investors are targeting large to mega buyout vehicles in 2013, compared to 9% in 2010

Although small to mid-market buyout funds continue to be viewed by a significant proportion of investors as presenting the best investment opportunities, with 51% of respondents stating that they will be seeking to commit to this fund type in 2013, investor appetite for large to mega (>\$1.5bn) buyout funds has increased. Nineteen percent of investors see large to mega buyouts as presenting the best investment opportunities, compared to 15% in December 2011.

An increasing proportion of LPs are also satisfied with their private equity returns, with the vast majority (85%) of investors interviewed by Preqin stating that their private equity investments have met or exceeded their expectations. Fifty-nine percent of investors expect to maintain their level of exposure to private equity over the next 12 months, with 27% looking to increase their allocation to the asset class in 2013.

Other Key Findings:

- 24% of investors plan to commit more capital to private equity funds in 2013 than in 2012, with a further 10% planning to return to the asset class after not making any new commitments in 2012.
- 53% of LPs expect to make their next private equity commitment in 2013.
- 67% of investors feel that LP and GP interests are aligned, compared to 47% in December 2011.
- 49% of LPs feel that Asia is the most attractive region for investment within emerging markets.
- 41% of LPs are looking to increase the number of GP relationships in their portfolios over the next two years.
- 28% of respondents name access to top-tier funds as the biggest challenge they face when seeking to build an effective private equity program. Impending regulatory challenges were mentioned by 15% of LPs, compared to just 5% in June 2012.
- 50% of LPs will not commit to first-time funds over the next 12 months; however, this is a lower proportion than the 55% that would not consider doing so in December 2011.
- Asia and Rest of World-based investors were the most active in 2012, with 67% of LPs in this region making new private equity commitments, compared to 58% of North America-based LPs and 56% of Europe-based LPs that committed to private equity in 2012.
- The proportion of LPs using separate accounts has increased from 7% in June 2012 to 15% in December 2012.

To view the full report, please see:

http://www.preqin.com/docs/reports/Preqin_Investor_Outlook_Private_Equity_H1_2013.pdf

Comment:

“Despite fewer investors making new commitments in 2012 combined with continued economic uncertainty and other challenges facing the asset class, investor appetite for private equity remains strong. The 85% of investors interviewed by Preqin that stated their private equity investments have met or exceeded their expectations is an improvement compared to December 2011, when 81% of investors provided the same response. In addition, the majority of LPs (54%) expect returns from their private equity investments in excess of 400 basis points over public markets, showing that LPs continue to view private equity as an asset class that can offer superior performance in the longer term.

Interestingly, there has been a growth in investor appetite for large to mega buyout funds over the last year, encouraging news for fund managers looking to raise LP capital for these vehicles. Investor interest in emerging markets also remains strong, with 60% of LPs currently investing in emerging markets and a further 14% considering doing so in the near future.”

Antonia Lee – Manager, Private Equity Investor Data

Note to Editors:

- Preqin Investor Outlook: Private Equity draws on the results of detailed interviews conducted by our skilled teams of multi-lingual analysts with over 100 institutional investors from around the world during December 2012.
- Public and private sector pension funds represent the largest proportion of investors interviewed by Preqin, making up 33% of respondents. Other prominent investor types among respondents include asset managers (12%), banks and

investment banks (11%), investment companies (9%), and insurance companies (8%). The remaining 27% of respondents includes endowment plans, family offices, foundations, superannuation schemes, and other investor types.

- Of the investors interviewed, 43% were based in Europe, 26% were based in North America, 16% were located in Asia Pacific and 15% were based in Rest of World.
- 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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