

Global Private Equity Fundraising Fails to Pick Up in Q1 2011

**\$42bn raised in Q1 2011 by funds holding a final close; fundraising remains at slowest pace since 2003
However, signs of life starting to appear as more firms hold interim closes**

Putting the Results in Context:

92 private equity funds worldwide reached a final close in Q1 2011 raising an aggregate \$42.3bn. This represents a small decrease from the \$47.1bn collected in Q4 2010, although Preqin would anticipate the latest quarterly figures rising slightly (10% - 20%) to match and possibly exceed the previous quarter's total as further information becomes available. It is clear that fundraising remains extremely challenging, and is occurring at a fraction of the rate that the industry was seeing in 2006 – 2008. However, there are some signs of life with a further 110 funds holding an interim close during the quarter, raising \$26.3bn towards their overall targets.

- **Fundraising by Region:** Funds primarily focusing on the US have raised the most capital during Q1 2011, with 45 funds raising a total of \$25.9bn. 24 primarily European-focused funds raised an aggregate \$6.5bn, while 24 funds focusing primarily on Asia and the Rest of World gathered a total of \$9.9bn.
- **Fundraising by Type:** Buyout funds raised the most capital, with 20 funds raising an aggregate \$12.6bn. This figure includes Golder Thoma Cressey Rauner X, which closed ahead of its \$3bn target on \$3.25bn. 27 venture funds closed raising a total of \$9.4bn, including Yunfeng Fund – a CNY10bn China-focused and managed early-stage vehicle, and InSight Venture Partners VII, a \$1.5bn US general venture fund. Four natural resources funds raised a total of \$5.1bn, including EnCap Energy Capital Fund VIII, which at \$3.5bn was the largest fund to achieve a final close during the quarter.
- **Fundraising Momentum - Interim Closes:** In addition to the 92 funds holding a final close, there were 110 funds which held an interim close during Q1 2011, raising a total of \$26.3bn towards their overall targets. Although Europe had a disappointing quarter for final closes, there were some significant interim closes for funds focusing on the region. This includes BC Partners' European Cap IX, which held a close of €4bn on its way to a €6bn target – making it the largest single close of Q1. Montagu IV, another Europe focused buyout vehicle, held an interim close on €1bn ahead of its €2bn target.
- **Funds in Market:** After the number and aggregate fundraising target of funds in market fell consistently during 2009 and for most of 2010, Q1 2011 sees a continuation of the rise in both the number and value of funds being raised – a sure sign of rising confidence among fund managers that conditions are starting to improve. There are currently 1,649 funds on the road seeking \$663bn worldwide – this represents the highest ever number of managers in market at one time.
- **Time Taken to Close Funds:** For funds closed in Q1 2011 the average time spent in market was 16 months, significantly more than the 10.6 months required in 2005, but down from the average time taken of 20.4 months for funds closed in 2010.
- **Looking Forwards:** While the number of funds achieving a final close has remained low, the LP community is growing in confidence, and is planning to commit to more private equity funds in 2011. In a survey of 100 investors conducted by Preqin in December 2010, 33% of LPs were below their target allocation, compared to 13% exceeding their targets. 54% expected to invest more in 2011 than 2010, with 32% intending to commit at the same levels and only 15% stating that they would be investing less.
- **Longer-Term Prospects:** LPs are increasingly satisfied with how their private equity portfolios have performed, with 78% stating that private equity returns had met expectations. 10% of LPs stated that returns have exceeded expectations, while 13% stated returns had fallen short of expectations – an improvement from earlier results in December 2009, which showed 23% seeing returns falling short.

Comment:

"The private equity fundraising market is currently in a transitional period. The majority of the significant funds which began fundraising prior to the onset of the financial crisis have now closed, with vehicles closing in Q1 2011 having mostly launched in 2009. With the typical fundraise now taking around 16 months from launch to finish, and with 2009 being a slow period for new fundraising launches, it is logical that Q1 2011 would be a slow period for final closes and we are anticipating an increase as 2011 progresses.

Although overall figures are disappointing, there are signs of increasing investor confidence – especially in Europe where we have seen two significant interim closes for BC Partners and Montagu which point to a brighter future. With capital distributions picking up, LPs do have more cash available to invest, and this is reflected in the 54% of investors interviewed who expect to put more capital to work in 2011 than last year.

As LP confidence returns, more and more fund managers are hitting the road, and the current number of funds in market is at a record level. Although overall levels for fundraising are set to increase, conditions for individual managers will be more competitive than ever." **Tim Friedman, Company Spokesman**

Please see factsheet following this release for more data on regional splits, fund type splits and biggest funds

Ends

How Does Preqin Collect Fundraising Information?

In addition to continually monitoring filings, news and press releases, Preqin maintains frequent contact with all private equity fund managers with a vehicle in market, regularly calling and emailing to receive status updates. Over the past week Preqin has directly contacted over 1,600 fund managers around the world with a vehicle in market to enquire as to their fundraising status, and importantly whether they had already held, or were planning to hold, a final close in Q1 2011.

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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Note to Editors:

- Please note that Preqin has completely replaced Private Equity Intelligence as the official company name.
- Preqin is spelled without the letter 'U' after the 'Q'.

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Fig. 1: Funds Achieving a Final Close on \$1bn or More in Q1 2011

Fund	Firm	Type	Amount Closed (mn)	Manager Country	Fund Focus
EnCap Energy Capital Fund VIII	EnCap Investments	Natural Resources	3,500 USD	US	US
Golder Thoma Cressey Rauner X	GTCR Golder Rauner	Buyout	3,250 USD	US	US
Baring Asia Private Equity Fund V	Baring Private Equity Asia	Balanced	2,460 USD	Hong Kong	ROW
Gores Capital Partners III	Gores Group	Buyout	2,064 USD	US	US
Yunfeng Fund	Yunfeng Capital	Early Stage	10,000 CNY	China	ROW
InSight Venture Partners VII	InSight Venture Partners	Venture	1,500 USD	US	US
Astorg V	Astorg Partners	Buyout	1,050 EUR	France	Europe
Sequoia Capital 2010	Sequoia Capital	Early Stage	1,358 USD	US	US
Birch Hill Equity Partners IV	Birch Hill Equity Partners	Buyout	1,040 CAD	Canada	US
Catalyst Fund III	Catalyst Capital Group	Distressed Debt	1,000 USD	Canada	US
KKR China Growth Fund	Kohlberg Kravis Roberts	Growth	1,000 USD	US	ROW
Audax Mezzanine Fund III	Audax Group	Mezzanine	1,000 USD	US	US

Fig. 2: Quarterly Fundraising, Q1 2007 - Q1 2011

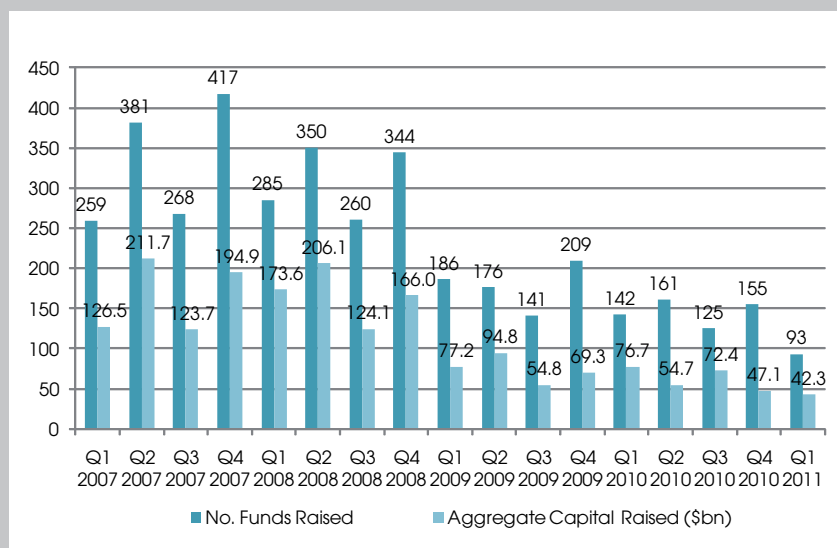


Fig. 3: Q1 2011 Fundraising by Fund Type

Fund Type	No. Funds Raised	Aggregate Capital Raised (\$bn)
Buyout	20	12.6
Venture	27	9.4
Natural Resources	4	5.1
Real Estate	16	4.3
Balanced	2	2.9
Distressed PE	4	2.4
Funds of Funds	11	2.0
Mezzanine	2	2.0
Infrastructure	2	0.6
Secondaries	2	0.2
Other	3	0.9

12 funds closed having raised \$1bn or more in Q1 2011 – details can be seen in Fig. 1.

Quarterly fundraising from 2007 to Q1 2011 is illustrated in Fig. 2. Both the number of funds closed and the aggregate capital raised in Q1 2011 are the lowest for any of the quarters shown, but as more information becomes available we expect the quarter to approximately match Q4 2010's figures.

The largest proportion of funds closed were venture funds; 27 such funds held a final close in the quarter raising an aggregate \$9.4bn. Buyout funds accounted for the largest proportion of capital

raised in the quarter – the 20 funds that closed raised a combined \$12.6bn. A breakdown of funds closed by type is shown in Fig. 3.

As shown in Fig. 4, the number of funds on the road is currently at a higher level than at any other point shown. The aggregate capital sought by funds currently in market stands at \$663bn.

Fig. 5 shows fundraising by fund primary regional focus – Europe-focused fundraising contributed the lowest proportion of capital raised; the same number of funds closed focusing on Europe and Asia and Rest of World.



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Fig. 4: Funds on the Road over Time

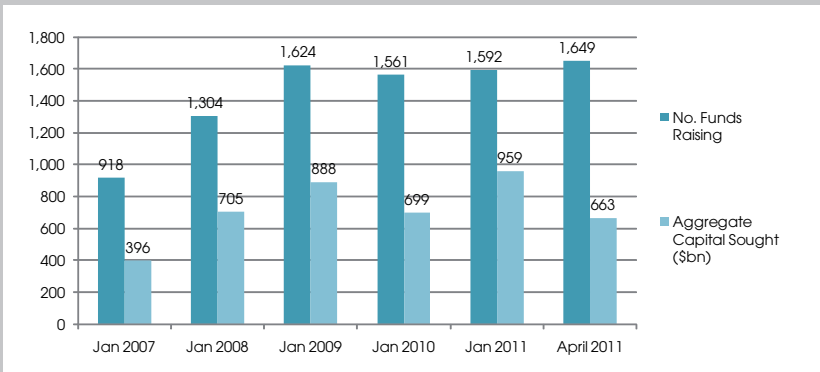


Fig. 5: Q1 2011 Fundraising by Fund Primary Regional Focus

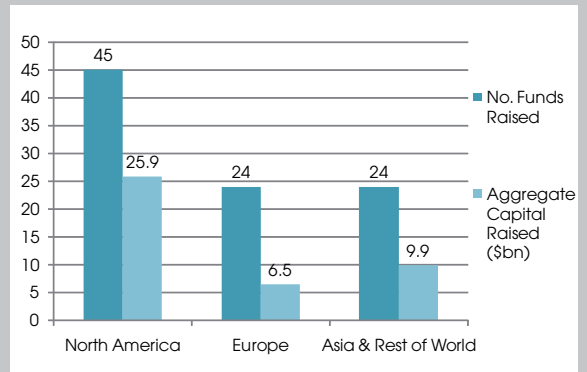


Fig. 6: Average Time Taken for Funds to Close (Months)

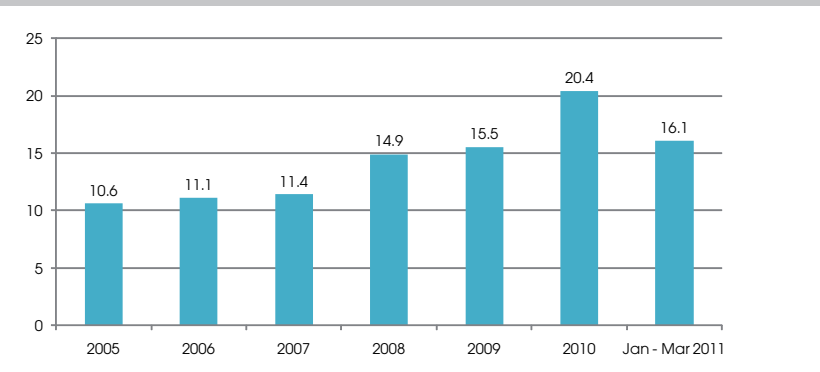


Fig. 7: Investor Allocation Expectations: 2011 vs. 2010

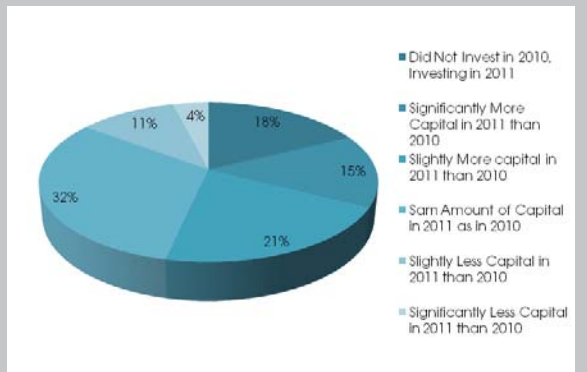
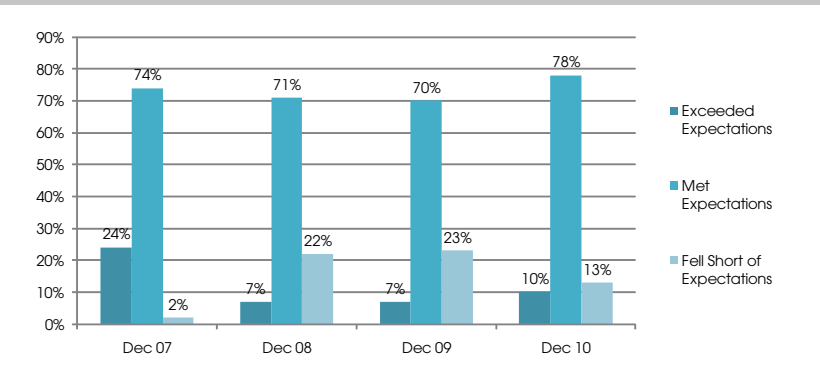


Fig. 8: Investor Satisfaction With Private Equity Portfolio Returns



Funds are currently taking an average 16.1 months to reach a final close, as shown in Fig. 6. This figure has fallen since last year, when funds were taking an average of 20.4 months to complete the fundraising cycle.

Fig. 7 shows investor allocation expectations this year compared

to last; 32% intend to allocate the same amount of capital as they did last year, 36% will allocate more.

The proportion of investors that were satisfied with returns generated by their investment portfolios is shown in Fig. 8. As of December 2010, 78% felt that their investments had met their expectations.



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