Q3 2011 OCTOBER 2011

The Preqin Quarterly

Private Equity

Insight on the quarter from the leading provider of alternative assets data

Content Includes....

Where Are LPs Looking to Invest?

We examine LPs' strategic and geographic preferences at present, and ask about the number of GP relationships they are seeking to maintain.

Alternatives Investment Consultants

What are investors in private equity looking for from their consultants?

Latest Fundraising Figures

Against a backdrop of financial uncertainty, fundraising figures were down on the previous quarter.

Private Equity-Backed Buyout Deals

Deal flow was down from the post-Lehman highs of Q2 2011, as were PE-backed exits.

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Q3 Special Guest Contributor: Jeffrey H. Aronson, Centerbridge Partners L.P.

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Editor's Note

Welcome to the latest edition of the Preqin Private Equity Quarterly, a review of the private equity industry over the past quarter, looking at current trends in fundraising, buyout deal flow, investor appetite for the asset class and fund performance.

Private equity exists within the broader financial universe, so it is not surprising to see the asset class buffeted by the financial storms that have erupted in recent months. Looked at objectively, private equity weathered the 2008-2010 storm well: returns have beaten other asset classes, and the spate of failures predicted by many observers failed to materialize. As a result, LPs have generally been satisfied with the performance of their private equity portfolios and a positive balance of investors plan to increase their allocations to the asset class over the medium term. So the medium- to long-term prospects for private equity are positive.

However, when medium-term strategies meet a short-term flight to safety, there can be only one winner. Accordingly, the third quarter of 2011 saw a significant decline in the pace of private equity fundraising. Though fundraising was showing signs of improvement in Q2, with $82.8bn raised by the 175 funds that closed that quarter, just 97 funds closed in Q3, raising an aggregate $44.8bn. A review of fundraising this month can be found on pages 10 to 14.

Huge numbers of funds are currently on the road vying for investor capital. We are tracking 1,725 funds in market, seeking aggregate commitments of $706bn. More information on the current fundraising market can be found on pages 15 to 16.

Our investor article, starting on page 6, analyzes which areas of the market investors feel are most attractive at present and how open they are to forging new relationships with fund managers in the year ahead.

Q3 2011 saw the flow of both private equity-backed buyout deals and exits slow considerably, with Q3 deal volume falling by 23% and exits falling by 54% in comparison to Q2 2011. We delve deeper into deal flow in the third quarter on pages 18 to 20.

Also this quarter, we take a look at the continued growth of private equity in Asia-Pacific on page 9, using some data taken from our recent research report, Preqin Special Report: Asia-Pacific Private Equity. All our complimentary research reports can be accessed on our website: www.preqin.com/research

We are also delighted to include an interview with Jeffrey Aronson, co-founder and managing principal at Centerbridge Partners, providing some key insights into the distressed sector at present.

Behind each of the data-points you see in the Preqin Quarterly exists a wealth of information on our industry-leading online products and publications, with extensive profiles for firms, funds, investors, consultants, law firms, placement agents and more. Our approach to being the most accurate source of intelligence is simple: we maintain offices around the world filled with dedicated analysts directly contacting industry professionals on a regular basis, over 6,000 of whom are Preqin subscribers.

We hope that you find this report to be interesting and informative and as ever we welcome any feedback that you may have. If you would like more information on any of our products and services, please feel free to contact us at our New York, London or Singapore offices.

Helen Kenyon, Editor

Jeffrey H. Aronson

Centerbridge Partners, L.P.

Interview with Jeffrey H. Aronson, Managing Principal
Centerbridge Partners, L.P.
Conducted by Claire Wilson, October 2011.

Our data shows that there are a lot of funds in the market and it's taking them longer to raise capital. I understand you recently closed a fund and were even oversubscribed. To what do you attribute your success?

It is a competitive fundraising environment right now. We raised our first private equity fund back in 2006 in a very different environment. It was successful given our ability to capitalize on the countercyclical nature of distressed debt for control and traditional private equity. During the recession, we were investing in credit at a time when there was a large margin of safety between the market price of the assets we were purchasing and their intrinsic value. As a result, during the depth of the credit crisis the portfolio allocation was heavily biased towards distressed debt for control. As private equity prices fell from previous valuations driven by peak leverage on peak earnings at peak multiples, we transitioned the portfolio and began increasing exposure to more traditional private equity investments. Accordingly the portfolio was roughly equally weighted between distressed debt and private equity and we are currently harvesting these investments. So, when we were out raising our second private equity fund at a time when LPs were interested in both distressed debt and private equity, we found a receptive investor base and our history supported our thesis. In the end, we were fortunate enough to hit our hard cap and closed at $4.25 billion in 12 months, ultimately having to turn away capital.

Please tell us more about Centerbridge's control strategy.

At Centerbridge, our strategy focuses on the cyclical nature of distressed for control investing and traditional private equity. We think our strategy is effective because it affords us the flexibility to buy companies through the debt when markets are fearful and debt is cheap, or through the equity in more stable times.

You opened a European office this year; how are you finding the European distressed debt market?

There's a lot going on in Europe and the opportunity set continues to grow. We think it's more likely that these opportunities will come at a slow and steady pace rather than a flood all at once. We're not raising a dedicated European fund, because we don't want the team to feel pressure to "put money to work". For now, we're trying to find a handful of the best deals in Europe, keeping in mind that we have to balance these opportunities with opportunities elsewhere. We're excited, but we'll be patient.

So, if European distressed is slow and steady and not a waterfall, where else are you seeing opportunities?

Generally when default rates are low and there's decent liquidity in the market, there's not going to be much to do in the distressed world. Yet notwithstanding currently low default rates, this market has surprised us in many ways. There are clearly significant risks to GDP growth globally. Equity market volatility is weighing on business and consumer confidence, and political gridlock in the US and abroad increases the likelihood of more self-inflicted wounds. And let's not forget the persistent problems in Europe. Some might argue it's a grim picture. But we're not economists and who knows, the economy may continue to bump along or even slowly recover. The fundamental question for us is not whether a double dip is on the horizon, if housing will come back, or if Europe can mend itself. The question is simply whether the price of the securities and businesses in which we invest more than fully discounts the woes facing investors. So maybe somewhat counter-intuitively, as fear and uncertainty increase and prices decline, our investment outlook is improving. There are certainly things to do.

Within the context of that opportunity set, are you focused on any specific industries?

I don't think the opportunity set is specifically tied to a particular industry. A lot of people will talk about old media, newspapers for example, maybe because they're facing secular challenges. That's generally something we're not interested in. We really try to source opportunities more at the micro level. Our team is looking for those businesses that were over-levered in stronger economic times and can't figure out how to grow their top line or increase their cash flow. We want to focus on timing both the business and the balance sheet.

What are the main differences between investing in the US and European markets?

Legal risk is a very big issue. Investors will take their experiences in one area and transpose them elsewhere. If you thought about investing in a UK distressed situation in the same way you did in the US for example you could run into a problem. You really need to have a developed understanding of bankruptcy law, creditors' rights, the restructuring process and the probability of government intervention. For now, we're mostly focused on Northern European jurisdictions and the UK. In certain other jurisdictions, creditors' rights are not always at the top of the pile; that's not a value judgment, it's just the way it is. You need to be mindful of those differences as an investor. And of course there are currency risks as well. You can nail an investment but if you don't hedge the currency exposure properly you could give up your profit or potentially more.

How are you managing the current volatility in the market?

Volatility is a very good thing for us. When we're trying to access a business by acquiring the debt, we're focused on the disconnect between price and value. Volatility, uncertainty and fear can put pressure on prices in the short term and provide an attractive entry point. We may be a little different in that respect from other market-facing investors. We're not driven by daily, weekly, or even monthly mark-to-market price swings. We want to buy companies cheap and volatility can be very helpful in allowing us to do that.

How would you sum up the distressed debt market?

Distressed is a deeply cyclical business and we make sure that our investors are aware of that. There may be times when there isn't much to do and we're returning capital. We've done it before and I'm sure we'll do it again. But that's not the environment today. Investing involves a fair bit of common sense and in my view it's not terribly difficult to figure out when distressed is interesting and when it's not. So when we look at the world today and think about the uncertainty facing governments, businesses and individuals, our experience and common sense lead us to conclude that there are some interesting opportunities out there. Bargain hunting never goes out of style.

Where Are LPs Looking to Invest?

Despite ongoing market uncertainties, Preqin has spoken to many investors over the course of 2011 that are seeking new private equity investment opportunities. 57% of investors we selected from Preqin's Investor Intelligence database to interview in June about their attitudes to the private equity market are planning to make new fund commitments before the end of the year, with a further 15% looking to next invest in 2012.

LPs' Fund Type Preferences

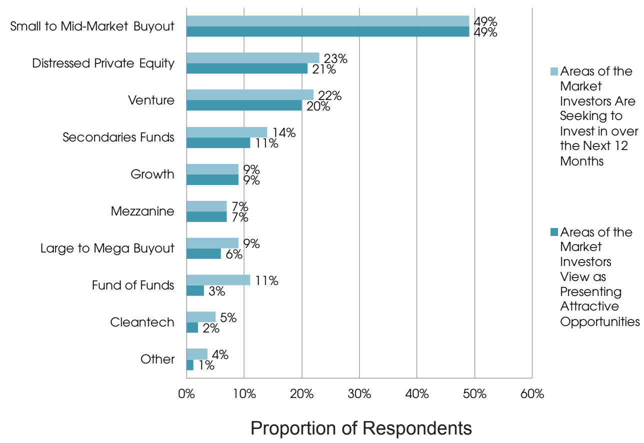
Preqin interviewed a sample of 100 global LPs in June to find out their views on the private equity market and their plans for future investment in the asset class. Investors were asked to name which fund types they feel are currently presenting the best opportunities for investment, and which fund types they expect to invest in over the next 12 months. Respondents were not prompted to give their opinions on each fund type individually; therefore the results reflect the fund types at the forefront of LPs' minds.

As Fig. 1 illustrates, small to mid-market buyout funds remain the most attractive fund type for LPs in the current market. A significant 49% of investors named small to mid-market buyout funds as offering the best opportunities, with the same proportion of investors expecting to make a commitment to the fund type within the next 12 months.

According to Preqin's Funds in Market database, 11 small to mid-market buyout funds have achieved successful closes in the past three months, raising an aggregate $5.5bn in commitments, further demonstrating LP interest in the fund type. Fig. 2 illustrates some known investors in a sample of small to mid-market buyout funds that have successfully closed in the past three months.

Almost a quarter of investors we spoke to (23%) view distressed private equity funds as appealing in the current market, and 21% of investors expect to commit to a distressed fund within the next 12 months. A Swiss asset manager we spoke to in September commented: "This is

Fig. 1: Investor Attitudes to Different Fund Types at Present



Source: Preqin

an attractive environment for distressed," and another asset manager based in the UK stated: "There is much more scope for operational value add with distressed than other types of private equity fund."

Appeal of Emerging Markets

The number of LPs with an appetite for emerging markets remains high. 78% of LPs interviewed in June are open to investing in funds targeting emerging economies, and furthermore, almost two-thirds (61%) of investors expect to increase their exposure to emerging markets in the longer term. Asia remains attractive to a high proportion of investors; as Fig. 3 illustrates, 54% of LPs feel that, within emerging markets, Asia is currently offering the best opportunities for investment. Country-wise, 40% of LPs have an appetite for investments in China and 35% are attracted to funds targeting India. It is important to note that not all investors find funds targeting these regions appealing. We spoke to one Singapore-based investor in September that has been deterred from investing in Asia-Pacific funds, commenting that while growth in the region is attractive, "there is currently too much money in the space."

Fig. 2: Sample of Investors in Small to Mid-Market Buyout Funds That Have Held a Final Close in the Past Three Months

Fund	Final Close Size ($mn)	Close Date	Sample Investors
Inverness Graham Investments II	151	Sep-11	ATP Private Equity Partners; Hamilton Lane; Northwestern University Endowment; Pomona Capital
Riverside Micro-Cap Fund II	137	Sep-11	Cleveland Foundation; Method Advisors; Michigan Department of Treasury
Snow Phipps Fund II	844	Sep-11	New York State Common Retirement Fund; Florida State Board of Administration
Alder Fund I	170	Aug-11	AP-Fonden 7; Folksam; LGT Capital Partners

Latin America continues to draw LP interest; a substantial 28% of investors we spoke to in June feel that South America is presenting attractive investment opportunities in the current market, and another 19% of LPs specifically named Brazil as offering some of the best investment opportunities within emerging markets at present.

Attitudes to First-Time Funds

Almost half (49%) of investors do not commit to funds raised by emerging managers, including spin-off funds. However, 19% of investors we spoke to in June do invest in first-time funds and a further 15% would consider such an investment in exceptional circumstances. Another 17% of LPs will invest in first-time funds managed by spin-out teams.

Some investors that are open to making commitments to first-time funds include certain caveats: one Malaysia-based investor told us it would consider investing in a first-time fund only if the GP put in 30% of the capital itself.

Manager Relationships

Managers seeking commitments from outside their existing investor base can be encouraged that a substantial 87% of investors we spoke to in June expect to form some new GP relationships over the next 12 months. Fund managers can also take some comfort from the fact that over a third of investors expect to increase the number of GPs in their portfolios over the longer term, as Fig. 4 illustrates, and a further 45% of investors expect to maintain the number of GPs in their portfolio in the longer term.

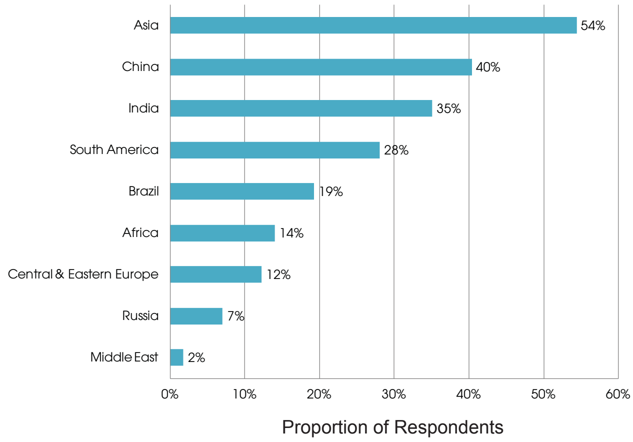
Some investors (21%) are looking to reduce the number of fund managers in their portfolios. One Finnish investor told Preqin: "We will definitely decrease the number of GPs in our portfolio by a lot – I am looking to kick out the weak ones."

Although some investors are intending to streamline the number of GPs in their portfolios, this is not necessarily a reflection on their confidence in the asset class. For example, New York City Employees' Retirement System (NYCERS) recently announced that it expects to cut the number of GPs in its portfolio from its current level of 106 to around 70. However, it is increasing its overall exposure to private equity, bumping its target allocation up from 4% to 6.5% of total assets, within a range of 6-8%. The pension fund is looking to allocate $2.5bn annually to private equity for the next four to five years in an attempt to boost its exposure to the asset class, and will be increasing its typical bitesize from up to $100mn per fund to a maximum of $300mn per vehicle.

Prospects for Managers with Funds on the Road

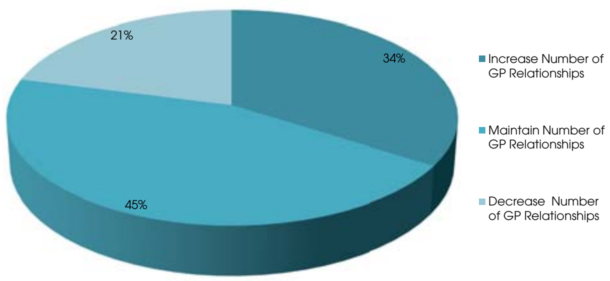
Financial markets have experienced increased volatility in recent months and fundraising remains challenging, with the number of funds reaching a final close in Q3 2011 significantly lower than in previous quarters. However, the good news for managers is that despite recent renewed market instability, overall LP appetite for the asset class has remained fairly consistent. While investors continue to act with caution when selecting new funds, a significant 66% of 120 LPs interviewed for a Preqin study in August and September are actively looking to commit to new funds over the next 12 months, just one percentage point lower than the 67% of LPs involved in a similar study in June and July that were looking to make new fund commitments over the following 12 months.

Fig. 3: Regions and Countries within Emerging Markets That Are Viewed by LPs as Presenting Attractive Opportunities in the Current Financial Climate



Source: Preqin

Fig. 4: Likely Changes to the Number of GP Relationships Maintained by Investors in the Longer Term



Source: Preqin

Preqin's Investor Intelligence product contains over 4,000 detailed profiles for all types of institutional investors in private equity, including investment plans, key contact details, previous fund commitments, and much more. For more information on this product or to register for a demo, please visit:
www.preqin.com/ii

Alternatives Investment Consultants

The global financial crisis has had a profound effect on the private equity industry and recent years have seen increasing and far-reaching financial regulation, changing investor attitudes and tough fundraising conditions for an industry forced to learn many harsh lessons in a post-boom climate. Given the changes to the private equity space as a whole, the role of investment consultants in the industry is more interesting than ever.

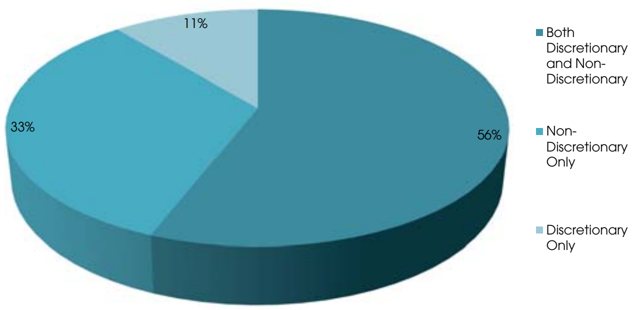
Consultants play a key role in many aspects of investment in the private equity sector, being employed by their institutional clientele to carry out a broad range of services, including discretionary fund selection, non-discretionary advice, portfolio administration, due diligence services, relationship management and more. As Fig. 5 indicates, 12% of alternatives investment consultants exclusively offer discretionary services and 33% offer non-discretionary advice only, whereas the majority (56%) offer both services.

Currently approximately 43% of institutions investing in private equity make use of at least one external investment consultant when investing in the asset class. There are several key attributes that an alternative asset investment consultant must be able to demonstrate in order to attract new clients and retain existing contracts. As Fig. 6 shows, present investor sentiment indicates that the two most important attributes a consultant must offer are strong communication skills/customer focus and a proven track record in fund selection. Other key qualities indicated by LPs in 2011 are competitive pricing structures, positive pre-existing relationships with top fund managers and finally, international presence.

Consultants are trusted by investors in private equity to gain access to the best performing funds, but how successful are they in doing so? A recent Preqin study of prominent LPs indicated that nearly three-quarters of LPs feel that their private equity investment consultant(s) has been 'Above Average' or 'Excellent' at gaining access to top-tier funds. This is reinforced by the fact that just 8% of LPs interviewed felt that they were very likely to seek new or additional advice on their private equity investments in the next 12 months, with 48% viewing the possibility as unlikely and 21% suggesting that they would definitely not be seeking new or additional advice on their portfolios.

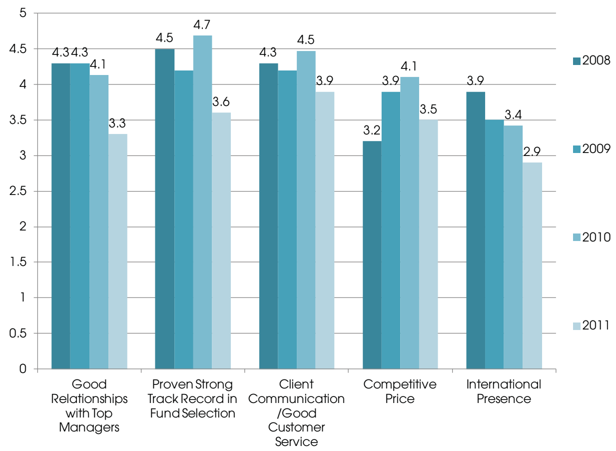
Consequently, fund managers that can showcase their offerings to the appropriate consultant teams are more effective at reaching a wider audience of potential investors and subsequently are likely to be better placed to attract institutional capital.

Fig. 5: Breakdown of Alternatives Investment Consultants by Nature of Service Provided



Source: Preqin

Fig. 6: Attributes Clients Consider When Reviewing Alternatives Investment Consultants (1 - Low Importance, 5 - High Importance)



Source: Preqin

Asia-Pacific Private Equity

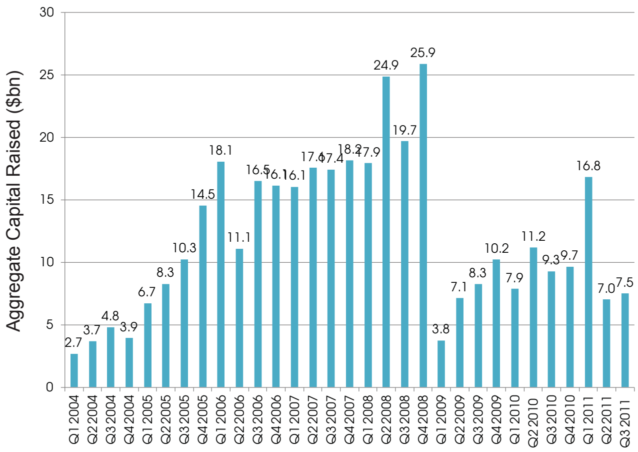
Asia-Pacific private equity funds are increasingly prominent within the global private equity fundraising market. In Q3 2011, 23 funds with a primary focus on Asia-Pacific held a final close having raised an aggregate $7.5bn in capital commitments. This represents an increase from the aggregate figure in Q2 2011, when $7bn was garnered from investors, although fewer Asia-Pacific vehicles closed in Q3, as 29 funds reached a final close in Q2 2011.

However, while Asia-Pacific fundraising in Q3 2011 did not dramatically change from the preceding quarter, this is in contrast to global fundraising figures, which decreased in terms of both the number of funds closed and capital raised from Q2 2011. Asia-Pacific therefore increased its share of global fundraising: 24% of funds to close in Q3 2011 have a primary focus on Asia-Pacific and 17% of capital closed globally was by these vehicles. These figures are similar when considering all funds to have closed so far in 2011. Just 14% of funds closed in 2004 were primarily focused on Asia-Pacific and only 7% of global aggregate capital was raised by these vehicles. This highlights Asia-Pacific's shift from a region of promise to one of far greater significance in terms of global private equity fundraising.

As seen in Fig. 9, the largest Asia-Pacific vehicle to close in Q3 2011 was Pacific Alliance Asia Special Situations Fund. This $900mn fund was the tenth largest globally to close in the quarter. The vehicle is managed by PAG Asia Capital, which is headquartered in Hong Kong. It targets distressed debt markets in Asia where North American and European holders need to sell their assets.

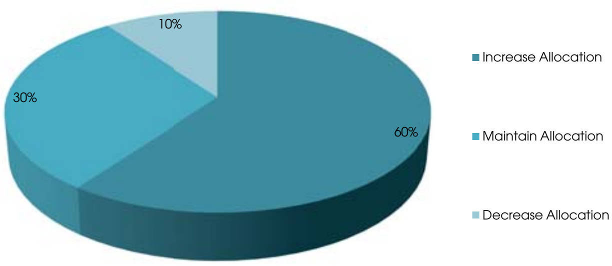
Of the funds currently on the road, 22% have a primary focus on Asia-Pacific, with these vehicles seeking 17% of the global aggregate target. This represents a large increase from this time in 2010, when the figures were 12% by number of funds and 12% by aggregate target. Our discussions with LPs from around the globe help explain the rise of Asia-Pacific funds. As shown in our recent Preqin Special Report: Asia-Pacific Private Equity, 60% of current investors with an interest the region plan on increasing their allocations to Asia-Pacific private equity, with 30% looking to maintain their allocations. This, coupled with the increasing confidence of investors from within Asia-Pacific and the growing number of international investors wishing to access the returns of these growth economies, suggests that Asia-Pacific is to become even more significant within global private equity fundraising in the future.

Fig. 7: Asia-Pacific Private Equity Fundraising by Quarter, Q1 2004 - Q3 2011



Source: Preqin

Fig. 8: Investors' Intentions for Their Long-Term Asia-Pacific Private Equity Target Allocations



Source: Preqin

Fig. 9: Five Largest Asia-Pacific Funds Closed in Q3 2011

Fund	Fund Manager	Size (mn)
Pacific Alliance Asia Special Situations Fund	PAG Asia Capital	900 USD
Northstar Equity Partners III	Northstar Pacific	820 USD
Zheshang Industrial Investment Fund	BOCGI Zheshang Investment Fund Management (Zhejiang)	5000 CNY
Hahn & Company I	Hahn & Company	750 USD
Orchid Asia V	Orchid Asia Group Management	650 USD

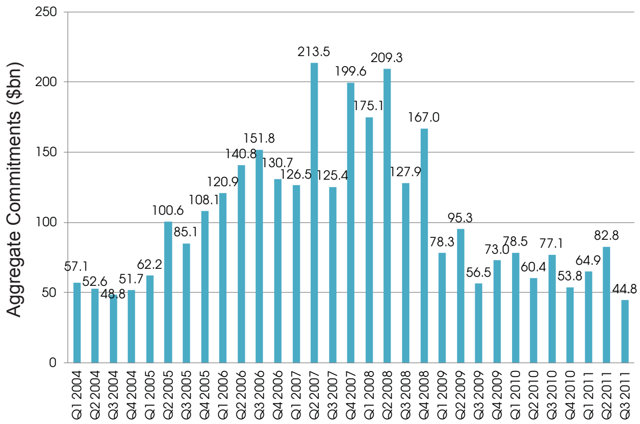
Fundraising Overview

In Q3 2011, 97 private equity funds worldwide reached a final close, raising an aggregate $44.8bn (Fig. 10). This represents a 46% decrease on the amount raised in the previous quarter and just over a fifth of the quarterly fundraising record achieved by funds closed in Q2 2007. In addition to the 97 private equity vehicles holding a final close, there were 109 funds that held an interim close during Q3 2011, raising a total of $42.7bn towards their overall targets. This is a 72% increase on the total amount attracted by funds which held an interim close in Q2 2011, largely due to the interim closes held by BC European Cap IX, EQT VI and Blackstone Real Estate Partners VII, which together have closed on $16.7bn so far. Nonetheless, the Q3 2011 figures suggest that the fundraising market remains challenging for managers currently seeking investor commitments.

Fig. 11 shows the length of time that funds closed in Q3 2011 spent on the road. Nearly a fifth (19%) of the funds that reached a final close in Q3 2011 had been in the market for six months or less, with a further 23% completing their fundraising process within seven to 12 months, meaning that 42% of private equity vehicles that reached a final close during Q3 had spent a year or less on the road. This is slightly down from the previous quarter, when 46% of funds that completed a final close had been fundraising for less than a year. A further 35% of the funds that reached a final close in Q3 2011 had been in market for between 13 and 24 months, while for nearly a quarter (23%) it took between 25 and 36 months to complete fundraising.

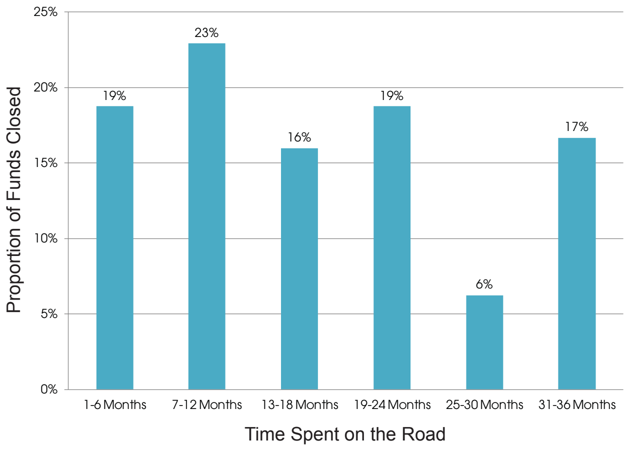
Buyout funds raised the most capital in Q3 2011, with 19 such funds raising an aggregate $14.4bn, as shown in Fig. 12. This represents nearly a 30% decrease in terms of the number of funds to close and 21% drop in terms of the capital raised from the previous quarter, when 27 buyout vehicles garnered a total of $18.3bn. Real estate funds secured the second largest share of capital commitments, with 16 funds raising an aggregate $10.8bn. Again, these figures represent a decrease on the previous quarter when 26 funds raised $13.7bn. Distressed private equity funds that closed this quarter raised $6.5bn. Fig. 13 shows details of the 10 largest funds to close during Q3 2011.

Fig. 10: All Private Equity Fundraising by Quarter, Q1 2004 - Q3 2011



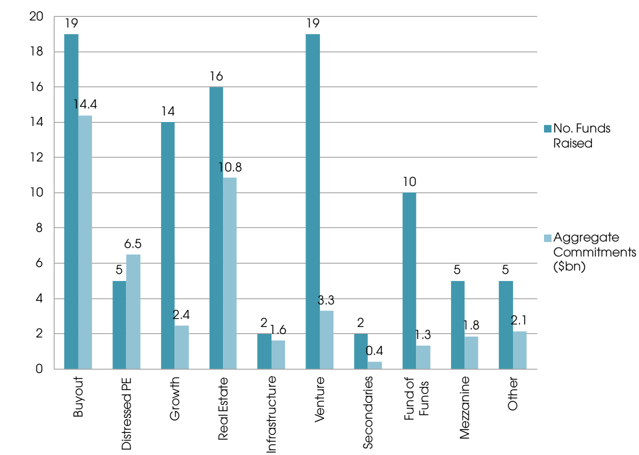
Source: Preqin

Fig. 11: Time Spent on the Road for Funds Closed in Q3 2011



Source: Preqin

Fig. 12: Private Equity Fundraising by Type, Q3 2011



Source: Preqin

Fig. 13: Top 10 Funds Closed during Q3 2011 by Final Close Size

Fund	Fund Manager	Type	Final Close Size (mn)	Manager Location	Primary Fund Focus
Lone Star Fund VII	Lone Star Funds	Real Estate	4,630 USD	US	US
Berkshire Fund VIII	Berkshire Partners	Buyout	4,500 USD	US	US
Centerbridge Capital Partners II	Centerbridge Capital Partners	Distressed Debt	4,400 USD	US	US
Waterland Private Equity Fund V	Waterland	Buyout	1,100 EUR	Netherlands	Europe
Pátria Brazilian Private Equity Fund IV	Patria Investimentos	Buyout	1,250 USD	Brazil	ROW
Chequers Capital XVI	Chequers Capital	Buyout	850 EUR	France	Europe
P2Brasil	Pátria Investimentos	Infrastructure	1,155 USD	Brazil	ROW
ECE European Prime Shopping Center Fund	ECE Real Estate Partners	Real Estate	775 EUR	Germany	Europe
KKR Mezzanine Partners I	Kohlberg Kravis Roberts	Mezzanine	1,000 USD	US	US
Pacific Alliance Asia Special Situations Fund	PAG Asia Capital	Distressed Debt	900 USD	Hong Kong	ROW

Source: Preqin

Regional Fundraising

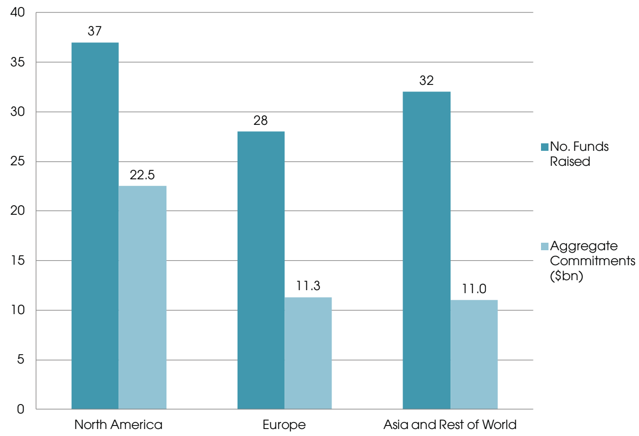
Out of the 97 funds that reached a final close in Q3 2011, 38% are primarily focused on making investments in North America. These funds accounted for half of the aggregate capital raised in the third quarter of 2011. Europe-focused funds raised the second largest amount of capital in Q3 2011, garnering a quarter of the aggregate capital raised, slightly more than Asia and Rest of World-focused funds. Funds focusing on Asia and Rest of World raised more capital than Europe-focused funds in both Q1 2011 and Q2 2011.

As shown in Fig. 14, 37 funds that completed their fundraising efforts in Q3 2011 have a primary focus on North America. There has been a considerable decrease in the number of funds reaching a final close compared with the previous quarter, when 82 funds closed. The aggregate amount of capital raised in Q3 2011 by North America-focused funds fell by more than half from the Q2 2011 figure. The number of Europe-focused funds that reached a final close during Q3 2011 also decreased, with 28 funds completing the fundraising process in Q3 2011 compared to 37 in the previous quarter. These funds raised less capital than in the previous quarter, but accounted for a higher proportion of total capital raised across all regions; $11.3bn representing 25% of the global total in comparison to $13.4bn representing 16% in Q2 2011.

Similarly, the number of Asia and Rest of World-focused funds reaching a final close and the total capital raised by these vehicles decreased this quarter, but the region's share of global fundraising marginally increased. 56 funds with a primary focus on investment in Asia and Rest of World closed in Q2 2011, raising an aggregate $19.5bn, which represented 24% of capital raised in the quarter. In Q3 2011, the $11bn collected by 32 funds accounted for 25% of total global capital raised.

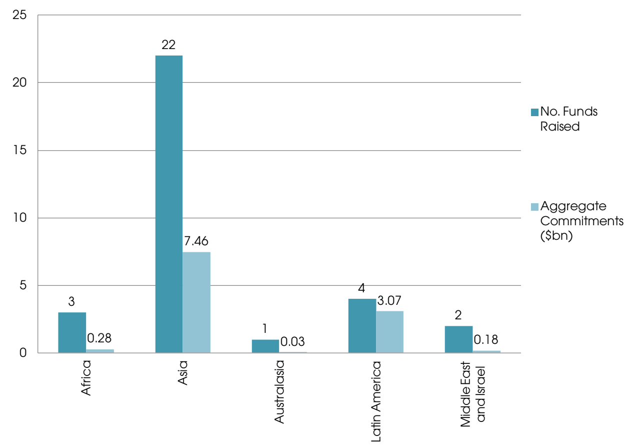
Fig. 15 shows Asia and Rest of World fundraising in Q3 2011 by the specific regions being targeted by the funds in this group. The largest amount of capital raised by funds to close in the quarter is focused on investment in Asia, followed by Latin America, with 68% and 28% respectively.

Fig. 14: Private Equity Fundraising by Primary Geographic Focus, Q3 2011



Source: Preqin

Fig. 15: Breakdown of Asia and Rest of World Private Equity Fundraising by Region, Q3 2011



Source: Preqin

Buyout and Venture Fundraising

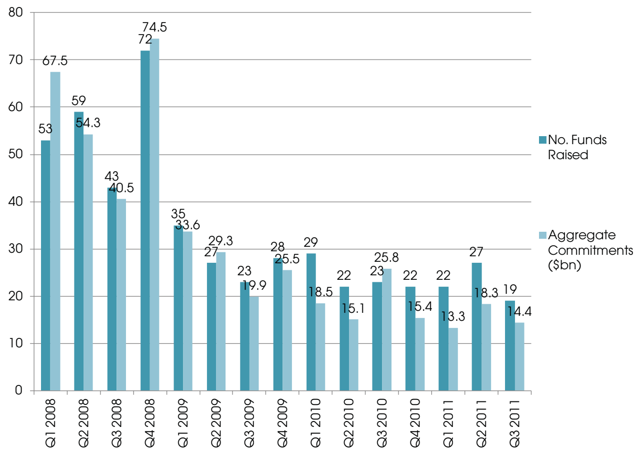
An aggregate $14.4bn was raised by 19 buyout funds that closed during Q3 2011, as shown in Fig. 16. In comparison to Q2 2011, these figures represent a decrease in capital of $3.9bn, or 21%, and a decrease of 30% in the number of funds closed. The amount raised is also down significantly from the same period in 2010, when 23 funds closed on an aggregate $25.8bn.

The largest buyout vehicle to close in Q3 2011 was Berkshire Fund VIII. The fund, which targets business services, communications, consumer product, retail, transportation and manufacturing companies across North America, closed above its $4bn target on $4.5bn. Waterland Private Equity Fund V, another fund to hold a final close exceeding its target, was the second largest buyout vehicle to close in the quarter. The vehicle makes investments in medium-sized companies in Germany and the Benelux region, with a particular focus on firms that experience market trends. The fund targeted €900mn but surpassed this to finish on €1.1bn when it held its final close in July 2011.

The number of venture capital vehicles reaching a final close in Q3 2011 stood at a little over half of the number closed in Q2 2011, with 19 such funds closing in Q3 compared to 35 in Q2. Venture capital funds closed in Q3 2011 garnered an aggregate $3.3bn in commitments, representing a 64% fall from the $9.2bn raised by funds closing in Q2 2011.

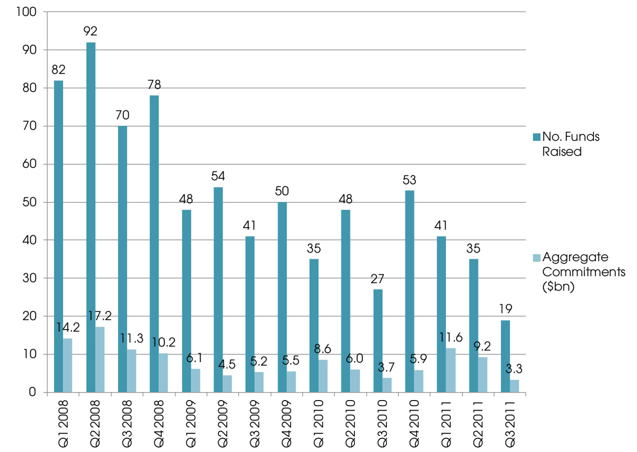
LC Fund V was the largest venture capital fund to reach a final close in Q3 2011. The fund, managed by Legend Capital Management, makes investments solely in Chinese companies operating in technology, media and telecoms, healthcare, cleantech, consumer services and manufacturing, and outsourcing. The fund was raised in parallel with Beijing Junrei Venture Capital Investment Fund II, formed for domestic limited partners, while LC Fund V sought to raise capital from overseas investors. The second largest venture capital vehicle to close in Q3 2011 was Northern Light Venture Fund III, which held a final close in September 2011 having raised $400mn in the space of three months.

Fig. 16: Private Equity Buyout Fundraising by Quarter, Q1 2008 - Q3 2011



Source: Preqin

Fig. 17: Private Equity Venture Fundraising by Quarter, Q1 2008 - Q3 2011



Source: Preqin

Fig. 18: Five Largest Buyout Funds Closed in Q3 2011

Fund	Fund Manager	Size (mn)
Berkshire Fund VIII	Berkshire Partners	4,500 USD
Waterland Private Equity Fund V	Waterland	1,100 EUR
Pátria Brazilian Private Equity Fund IV	Patria Investimentos	1,250 USD
Chequers Capital XVI	Chequers Capital	850 EUR
Snow Phipps Fund II	Snow Phipps Group	844 USD

Source: Preqin

Fig. 19: Five Largest Venture Funds Closed in Q3 2011

Fund	Fund Manager	Size (mn)
LC Fund V	Legend Capital Management	515 USD
Northern Light Venture Fund III	Northern Light Venture Capital	400 USD
GSR Ventures IV	GSR Ventures	350 USD
Intel Capital Ultrabook Fund	Intel Capital	300 USD
Shasta Ventures Fund III	Shasta Ventures	265 USD

Source: Preqin

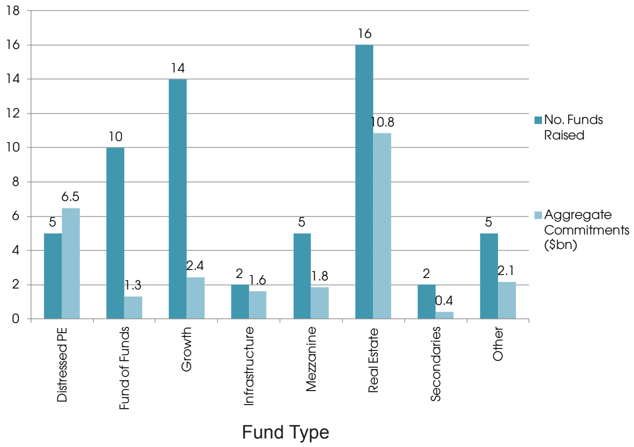
Private Equity Fundraising: Other Types

Just over 60% of private equity capital raised in Q3 2011 was committed to fund types other than buyout and venture. Of these vehicles, real estate and distressed private equity raised the most capital.

As shown in Fig. 20, five distressed private equity funds raised a combined $6.5bn in Q3 2011, accounting for over 14% of the aggregate capital raised during the last quarter. In Q2 2011, a total of eight distressed private equity vehicles closed having raised an aggregate $8.5bn, which accounted for just over 10% of the total global private equity capital raised. Real estate funds that closed in Q3 2011 accounted for 24% of the aggregate global fundraising, with 16 funds closing on a total of $10.8bn. This was partially due to the final close of Lone Star Fund VII, the largest fund to close in the quarter. This distressed-focused real estate vehicle finished fundraising at the end of July 2011 on $4.63bn, exceeding its $4bn target.

A total of 14 growth funds reached a final close in Q3 2011 having raised an aggregate $2.4bn in capital commitments. This amount is down significantly from the amount raised in Q2 2011, both in number of funds raised (down from 18) and aggregate capital raised (down from $7.1bn). Fig. 21 shows the top 10 funds to have closed during Q3 2011 in terms of capital raised, excluding buyout and venture capital funds. Lone Star Fund VII leads the table having raised the most capital during the quarter; it also raised more than any buyout and venture fund that closed in the quarter.

Fig. 20: Private Equity Fundraising (Excluding Buyout and Venture Funds) by Fund Type, Q3 2011



Source: Preqin

Second in the table is Centerbridge Capital Partners II, a US-focused distressed debt fund that raised $4.4bn and held its final close in August 2011. One other distressed debt fund appears in the table: Pacific Alliance Asia Special Situations Fund.

Fig. 21: 10 Largest Funds (Excluding Buyout and Venture Funds) Closed in Q3 2011

Fund	Fund Manager	Fund Type	Final Close Size (mn)
Lone Star Fund VII	Lone Star Funds	Real Estate	4,630 USD
Centerbridge Capital Partners II	Centerbridge Capital Partners	Distressed Debt	4,400 USD
P2Brasil	Pátria Investimentos	Infrastructure	1,155 USD
ECE European Prime Shopping Center Fund	ECE Real Estate Partners	Real Estate	775 EUR
KKR Mezzanine Partners I	Kohlberg Kravis Roberts	Mezzanine	1,000 USD
Pacific Alliance Asia Special Situations Fund	PAG Asia Capital	Distressed Debt	900 USD
AltaFund Value-Add I	Altarea Cogedim	Real Estate	630 EUR
UK Property Income Fund	Legal & General Property	Real Estate	500 GBP
Zheshang Industrial Investment Fund	BOCGI Zheshang Investment Fund Management (Zhejiang)	Balanced	5,000 CNY
Orchid Asia V	Orchid Asia Group Management	Growth	650 USD

Source: Preqin

Funds on the Road

The start of 2011 saw the most private equity funds on the road for over a year and a half, coupled with the highest aggregate capital targeted by funds in market for half a year. Going into Q4 2011, both the level of capital sought by private equity firms and the number of funds in market have increased, with 1,728 funds on the road collectively targeting $706bn. This represents an increase of 17% in aggregate capital targeted since the start of the year and an increase of 5% since the start of Q3 2011. Q4 2011 marks the fifth quarterly increase in both the number of funds on the road and aggregate targeted capital.

Fig. 22 displays the number of funds on the road and aggregate capital targeted at the start of each quarter since Q1 2009. Since the start of Q3 2010, the number of funds in market has been growing steadily, increasing by nearly 14% over the period. There has also been an increase in the average target size of funds on the road compared to the start of the year. At the start of Q1 2011, there were 1,594 funds on the road seeking aggregate capital of $602bn, equating to an average target size of $378mn. Going into Q4 2011, the average target size stands at $409mn, representing an 8% increase.

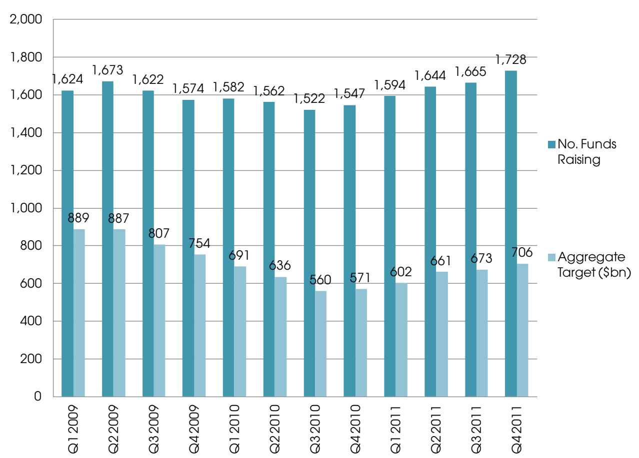
768 vehicles on the road are primarily targeting North America and are seeking an aggregate $325bn, as shown in Fig. 23. These funds account for 44% of the funds on the road and 46% of the aggregate capital targeted.

Europe-focused funds are targeting the second largest amount of capital, with 387 vehicles seeking $192bn, accounting for 22% of the number of funds in market and just over 27% of the aggregate targeted capital. There are currently 573 Asia and Rest of World-focused funds on the road targeting an aggregate $189bn in capital commitments. These funds account for 33% of the number of funds on the road and just under 27% of the global targeted capital. Asia-focused funds account for 60% of the aggregate target of Asia and Rest of World-focused funds.

Fig. 24 shows the number of funds and the amount of capital raised through interim closes at the end of each quarter since Q3 2009. In Q3 2011, 109 held interim closes and collectively these funds have raised $43bn towards their fundraising targets.

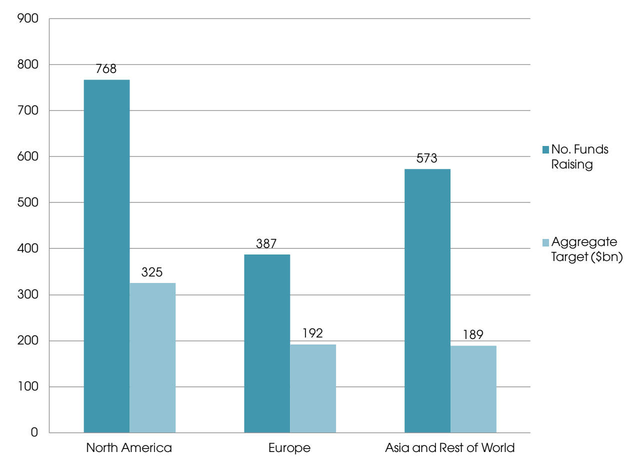
Details on all of the 1,728 private equity funds currently seeking capital can be found on Preqin's Funds in Market product. For each fund you can view: initial target size; industries and geographies targeted; sample investors in the fund; and much more. For more information or to register for a demo, please visit: www.preqin.com/fim

Fig. 22: Funds in Market by Quarter, Q1 2009 - Q4 2011



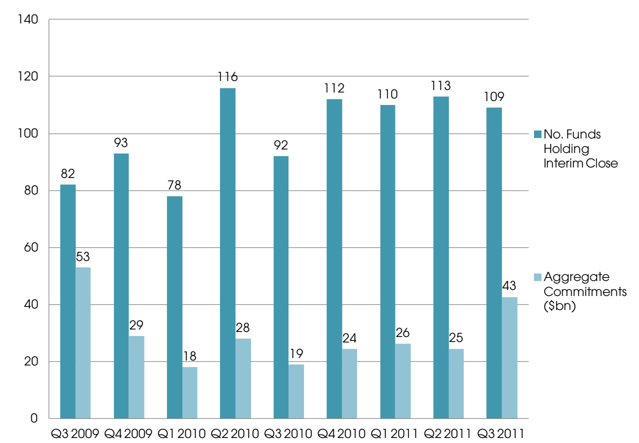
Source: Preqin

Fig. 23: Composition of Funds in Market by Primary Geographic Focus



Source: Preqin

Fig. 24: Interim Closes by Quarter



Source: Preqin

Funds on the Road by Type

Buyout funds are targeting the largest amount of capital of all funds on the road, accounting for 25% of all capital currently being sought by private equity funds in market, as shown in Fig. 25. Going into Q4 2011, there are 205 buyout vehicles on the road targeting $176bn in capital commitments.

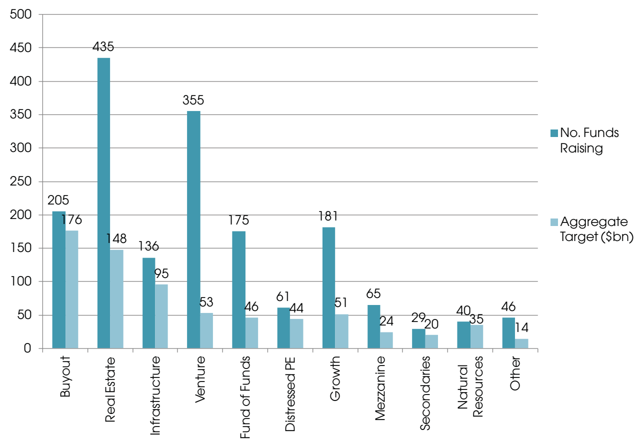
Private equity real estate and infrastructure funds have the second and third largest aggregate targets respectively, with 435 real estate funds aiming to raise $148bn and 136 infrastructure funds seeking $95bn in capital commitments. The two fund types account for 21% and 14% respectively of the aggregate target of all funds on the road.

Private equity real estate funds are the most numerous type of fund on the road, accounting for 25% of the total number of funds currently raising, followed by venture capital funds, with 355 such vehicles currently in market accounting for 21% of funds currently raising. Venture capital funds are targeting the fourth largest amount of capital, with an aggregate target of $51bn. Khosla Ventures IV is the largest venture capital fund currently on the road, seeking $1.05bn in capital commitments. The fund targets early and late stage investments predominantly in the clean technology and information technology industries.

Growth funds, funds of funds and distressed private equity funds all account for significant proportions of the private equity funds on the road. Growth funds are the fourth most numerous fund type, with 181 funds currently in market, targeting $52bn in capital commitments. Funds of funds follow with 175 vehicles targeting $46bn in commitments. Distressed private equity funds account for 6% of the total targeted capital, with 61 funds in market seeking $44bn. Natural resources funds have the largest average target size of all funds in market, with 40 funds targeting an average $871mn in capital commitments.

Preqin's Funds in Market database contains details of over 1,700 private equity funds on the road seeking capital. For more information about this product and how it can assist you, please visit:
www.preqin.co/fim

Fig. 25: Composition of Funds in Market by Type



Source: Preqin

Fundraising Future Predictions

Following a strong second quarter, private equity fundraising slowed considerably in Q3 2011, with just 97 funds reaching a final close, raising an aggregate $44.8bn. In comparison, 175 funds closed in Q2, raising $82.8bn.

The flow of private equity-backed exits also slowed in the third quarter, with levels dropping from $121.8bn in Q2 2011 to $56.2bn in Q3 2011. This recent decline in the volume of exits taking place and the consequent drop in the level of distributions investors are receiving at present is likely to have an impact on the pace at which investors make new commitments to funds in the immediate term. Concerns about global financial markets have also led many investors to hold off from making new commitments to private equity funds this quarter.

Though fundraising levels were much reduced this quarter, delving deeper into the data, we can see some fundraising successes in Q3. For example, Lone Star Funds, which closed the largest fund this quarter, raised $4.63bn for Lone Star Fund VII, exceeding its $4bn target, and Berkshire Partners VIII closed on $4.5bn after originally targeting $4bn. These funds were not alone. In fact, nine of the 10 largest funds to close in Q3 raised more capital than they were initially targeting, and overall 51% of the funds that closed this quarter exceeded their targets and an additional 22% closed on their targets.

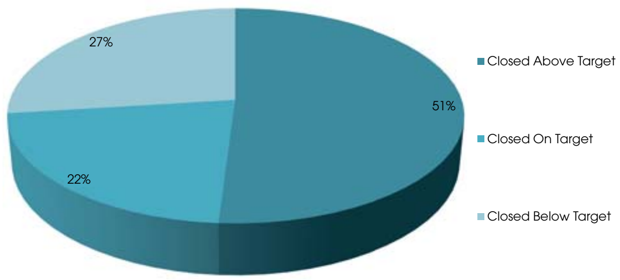
In addition to the final closes seen this quarter, the number of funds holding interim closes also stayed consistent between Q2 and Q3 2011. 109 funds held interim closes in Q3, compared to 113 funds last quarter. In total, funds on the road have raised an aggregate $42.7bn towards their targets.

So what can we expect for future fundraising and how are investors viewing the private equity asset class at present?

Preqin's latest study of investors in private equity, Preqin Investor Outlook: Private Equity, based on detailed interviews conducted with institutional investors in June 2011, found that most continue to view private equity favourably, with 79% informing us that their private equity investments have met or exceeded their expectations. A considerable 94% informed us that they anticipate increasing or maintaining their allocations to the asset class over the next 12 months, and just 9% expect to decrease the level of their exposure to private equity over the longer term.

Since June, however, much has changed in the global financial climate and this has clearly had an impact on recent fundraising levels seen in the private equity industry. What effect has this had on investors' plans for new investments since we carried out our study in June?

Fig. 26: Proportion of Funds Closed in Q3 2011 That Met, Exceeded or Fell Short of Initial Fundraising Targets



Source: Preqin

Preqin analysts speak to institutional investors around the world every day in order to find out about their current attitudes towards the industry and their plans for future investments. Recent conversations we have had with investors suggest few have changed their plans regarding investments in private equity funds over the next 12 months in light of recent concerns about financial stability: 66% of a sample of 120 LPs interviewed in August/September this year intended to make new investments in private equity funds over the following 12 months, compared to 67% of a sample of 120 investors interviewed in June/July 2011. Institutional investors' plans for investing in private equity over the next 12 months seem unchanged from June at present.

Overall it is clear that fundraising conditions are set to remain tough for fund managers, with more funds on the road competing for capital than at any time in the past few years. We are still seeing investors approach the asset class with a high degree of caution and this is set to remain the case in the coming months, particularly while wider financial markets remain so volatile. The decline in the volume of private equity-backed exits taking place means investors are receiving fewer distributions from their investments and consequently have less capital available for new opportunities. While it is clear that the majority of LPs continue to recognize the longer-term benefits of including an allocation to private equity within their portfolios, concerns about recent turbulence in the wider financial markets are likely to have an impact on their investments in the short term.

Deals and Exits Overview

A total of 670 private equity-backed buyout deals with an aggregate value of $60.6bn were announced globally in Q3 2011. This represents a 23% decrease in the aggregate value of buyout deals in comparison to the previous quarter, when a post-Lehman high of $78.7bn worth of deals were announced.

While the number of deals has remained relatively consistent with previous quarters, the aggregate deal value has seen a notable dip, in particular from August onwards when market turmoil and the rising cost of capital due to tightening debt markets led to a marked absence of larger deals in the market. This is evident when looking at the start of the quarter versus the end: in July 2011, $30bn in aggregate deal value was announced, but the figure dropped to just over $12bn in September 2011. In addition, only one of the 10 largest deals in Q3 2011 came in September 2011, with the majority announced in July.

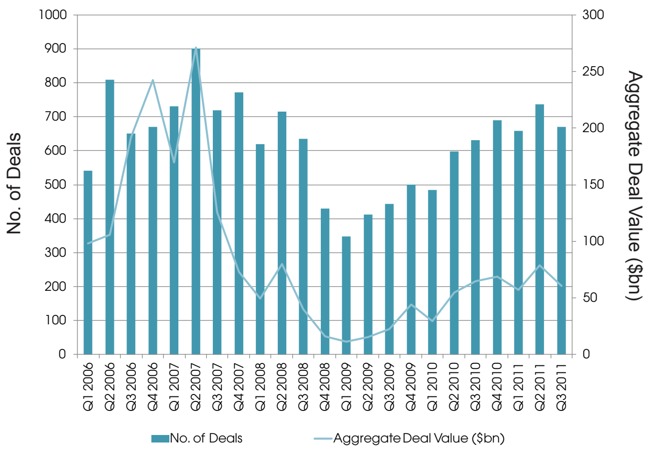
However, it is important to note that while Q3 2011 is down from the post-Lehman highs of the previous quarter, it still represents a 7% increase in deal value from the $56.8bn through 659 buyouts announced in Q1 2011, and surpasses the average 2010 figure of $54.5bn per quarter.

Deals announced in North America in Q3 2011 represented 49% of the total aggregate value of deals, with Europe and Asia and Rest of World representing 38% and 13% respectively. North American buyouts accounted for $29.9bn through 365 deals during Q3 2011, representing a 24% decrease in the value of deals in the region compared to the previous quarter's total of $39.2bn. Only $2.2bn was announced in September 2011, down sharply from the $17.8bn announced in July 2011.

254 exits valued at $56.2bn were announced in Q3 2011, a 54% decline in value from the record highs of over $120bn witnessed in the previous quarter, bringing buyout-backed exit flow to the levels witnessed in early to mid-2010. This decrease was primarily due to the marked absence of exits valued at over $1bn, with only 12 exits in this size range during Q3 2011, and no exits valued at over $5bn, whereas the previous quarter saw 21 exits at over $1bn and three exits at over $5bn. Additionally, the levels of exits in September 2011 were at half the rate seen during July 2011.

Whilst there has been a marked slowdown in exit activity, it is important to note that from late 2010 and into 2011 activity had been at records levels, peaking in Q2 2011, as buyout shops took advantage of the relatively robust market conditions in those months to begin exiting deals completed during the boom-era. Despite this slowdown in exit flow during this quarter, exit activity has been well above the levels witnessed in late 2008 and into 2009.

Fig. 27: Quarterly Number and Aggregate Value of PE-Backed Buyout Deals Q1 2006 - Q3 2011

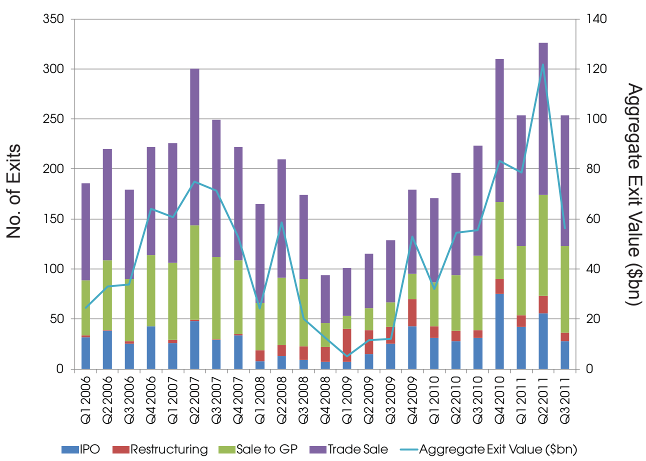


Source: Preqin

Fig. 28: Quarterly Aggregate Deal Value by Region, Q1 2008 - Q3 2011

Source: Preqin

Fig. 29: Quarterly Number of PE-Backed Exits by Type and Aggregate Exit Value, Q1 2006 - Q3 2011



Source: Preqin

Deals by Type, Value and Industry

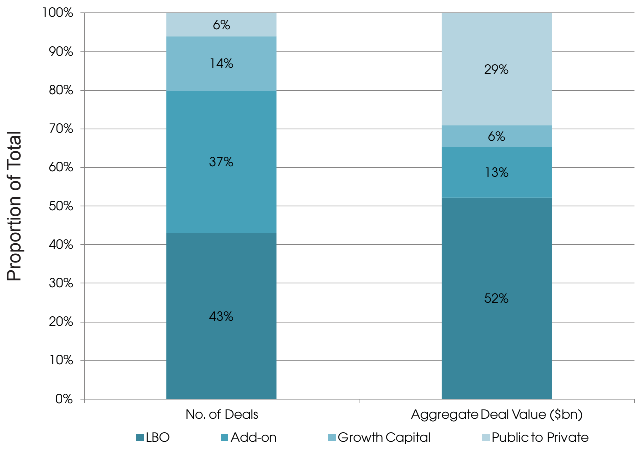
Leveraged buyouts (LBOs) continued to account for over half of the aggregate value of deals in Q3 2011, representing 52% ($31.2bn), down on the Q2 figure of 60%. The proportion of the overall number of deals accounted for by LBOs remained the same as in Q2 at 43%. The share of the total number of deals accounted for by add-ons has increased to 37% from 33% in Q2 2011. The share accounted for by public to private deals was slightly lower in Q3 than Q2, but their share of aggregate deal value increased from 22% to 29%.

Nearly three-quarters of the total number of deals made in Q3 2011 were in the small-cap space (less than $250mn). Mid-cap deals ($250-999mn), despite accounting for just 19% of the total number of deals, constituted 31% of the aggregate capital put to work. Deals within the large-cap space ($1bn +) made up 56% of aggregate deal value, even though the number of deals accounted for just 8% of the total. Large-cap deal activity slowed significantly towards the end of the quarter; of the 17 deals made in Q3 2011 valued at $1bn or more, the majority occurred in July. Only two large-cap deals were announced in September.

In Q3 2011, there were more deals completed in the industrials sector than in any other, accounting for 29% of the number and 16% of the aggregate value of deals. Business services and healthcare accounted for 21% and 18% of the total deal value respectively. This was due in large part to the two largest deals in the quarter, which were both public to private acquisitions. In July, Apax Partners, Canada Pension Plan Investment Board and Public Sector Pension Investment Board agreed to acquire Kinetic Concepts, Inc., a manufacturer of wound treatment products, for $6.3bn – more than 50% of the total value of healthcare investments in the quarter. In August, Blackstone announced the $3bn acquisition of Emdeon Inc., which contributed significantly to the business services figures.

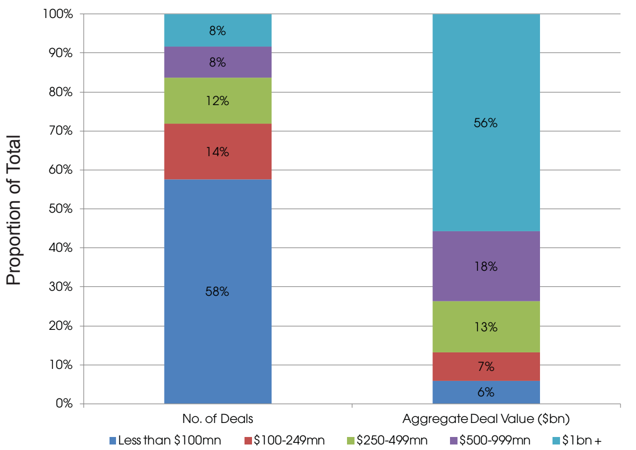
Information technology also witnessed a significant amount of investment, with four of the top 10 buyout deals focused on this sector. Private equity investments in The Go Daddy Group, SunGard Higher Education, Blackboard and Alibaba Group had a cumulative value of more than $7 billion, constituting a significant proportion of the $12 billion total invested in IT.

Fig. 30: Breakdown of Number and Aggregate Value of PE-Backed Buyout Deals by Type, Q3 2011



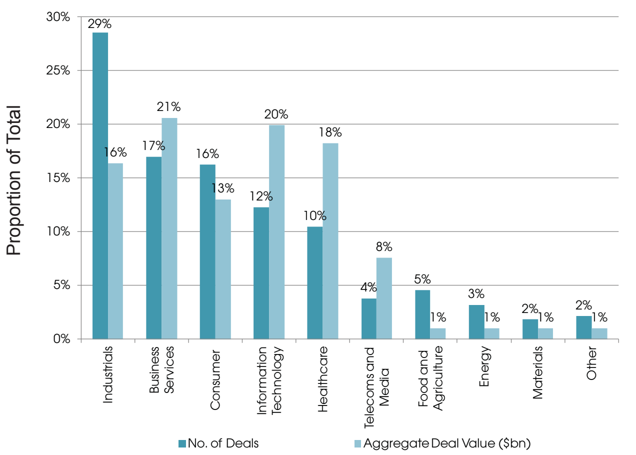
Source: Preqin

Fig. 31: Breakdown of Number and Aggregate Value of PE-Backed Buyout Deals by Value Band, Q3 2011



Source: Preqin

Fig. 32: Breakdown of Number and Aggregate Value of PE-Backed Buyout Deals by Industry, Q3 2011



Source: Preqin

Largest Deals and Notable Exits

Fig. 33: 10 Largest PE-Backed Buyout Deals in Q3 2011

Name	Date	Type	Deal Size (mn)	Buyers	Sellers	Industry	Location
Kinetic Concepts, Inc.	Jul-11	Public to Private	6,300 USD	Apax Partners, CPP Investment Board, Public Sector Pension Investment Board	-	Medical Devices	US
Emdeon Inc.	Aug-11	Public to Private	3,000 USD	Blackstone Group	General Atlantic, Hellman & Friedman	Business Services	US
Com Hem AB	Jul-11	LBO	17,000 SEK	BC Partners	Carlyle Group, Providence Equity Partners	Telecoms & Media	Sweden
The Go Daddy Group, Inc.	Jul-11	LBO	2,250 USD	Kohlberg Kravis Roberts, Silver Lake, Technology Crossover Ventures	-	Internet	US
ConvergEx Holdings	Jul-11	LBO	2,000 USD	CVC Capital Partners	Bank of New York Mellon, Eze Castle Software, GTCR Golder Rauner	Financial Services Software	US
Immucor, Inc.	Jul-11	Public to Private	1,973 USD	TPG	-	Medical Technologies	US
SunGard Higher Education	Aug-11	Add-on	1,775 USD	Datatel, Inc., Hellman & Friedman, JMI Equity	SunGard Data Systems Inc.	Software	US
Blackboard Inc.	Jul-11	Public to Private	1,770 USD	Providence Equity Partners	-	Software	US
Alibaba Group	Sep-11	Growth Capital	1,600 USD	Silver Lake, DST Global, Temasek Holdings, Yunfeng Capital	-	Internet	Hong Kong
Bank of Ireland	Jul-11	PIPE	1,120 EUR	Fairfax Financial Holdings, WL Ross & Co, Fidelity Investments, Kennedy Wilson, The Capital Group	-	Financial Services	Ireland

Source: Preqin

Fig. 34: Notable PE-Backed Exits in Q3 2011

Firm	Investment Date (Entry)	Investors (Entry)	Deal Size (mn)	Exit Type	Exit Date	Acquiror (Exit)	Exit Value (mn)	Primary Industry	Location
Emdeon Inc.	Sep-06	General Atlantic, Hellman & Friedman	1,245 USD	Sale to GP	Aug-11	Blackstone Group	3,000 USD	Business Services	US
Insight Communications Company	Mar-05	Carlyle Group, Crestview Partners, MidOcean Partners	2,100 USD	Trade Sale	Aug-11	Time Warner Cable Inc.	3,000 USD	Telecoms & Media	US
Com Hem AB	Dec-05	Carlyle Group, Providence Equity Partners	1,200 USD	Sale to GP	Jul-11	BC Partners	17,000 SEK	Telecoms & Media	Sweden
Provimi	Jan-07	Permira	1,255 EUR	Trade Sale	Aug-11	Cargill Inc.	1,500 EUR	Agriculture	France
SunGard Data Systems Inc.*	Mar-05	Bain Capital, Blackstone Group, Goldman Sachs Merchant Banking Division, Kohlberg Kravis Roberts, Providence Equity Partners, Silver Lake, TPG	11,400 USD	Trade Sale	Aug-11	Datatel, Inc.	1,775 USD	Software	US

* denotes a partial exit

Source: Preqin

Dry Powder

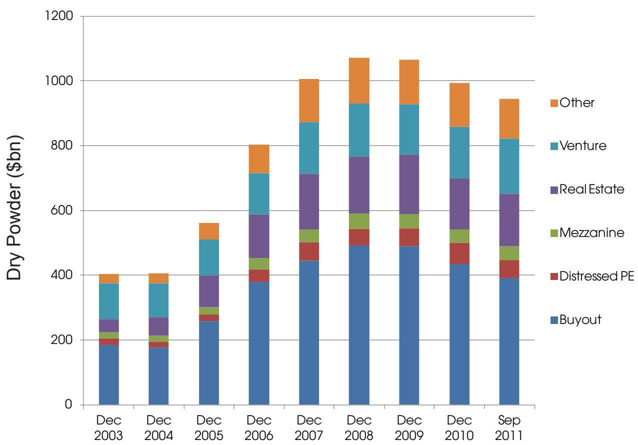
Since the financial crisis in 2008, the amount of dry powder available to fund managers has declined across the private equity industry. A slow fundraising environment, coupled with an increase in deal activity during 2011, has seen levels decrease by 5% since December 2010.

Fig. 35 shows the amount of dry powder available across the whole private equity industry by fund type. The graph shows that the level of dry powder across the whole industry has decreased each year since December 2008. Examining these levels by fund type, the most significant decrease in dry powder between December 2008 and September 2011 has been seen for buyout funds, decreasing by over 20%. However, the trend has not been the same for all fund types, with distressed private equity and venture funds showing increases in available capital during this period of around 8% and 5% respectively.

Fig. 36 shows the levels of dry powder split by the primary geographical focus of the funds. Between December 2009 and September 2011, uncalled capital available to North American and European funds decreased by 16% and 12% respectively, whereas funds primarily focusing on Asia and Rest of World saw an increase in available capital during the same period of more than 5%.

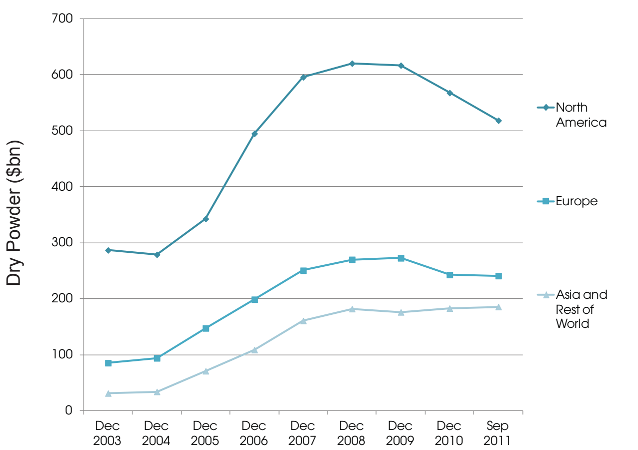
The amount of capital invested and uncalled capital available to buyout funds of vintage years 2005-2010 is shown in Fig. 37. As the median investment period for buyout funds is five years, most vintage 2007 and 2008 buyout funds will be approaching the ends of their investment periods within the next two years. As of September 2011, vintage 2007 buyout funds have $79bn in dry powder at their disposal and vintage 2008 funds have $99bn of capital available to deploy. Vintage 2005 and 2006 buyout funds are further along in their investment cycles and currently have $9bn and $27bn of capital respectively available to them for investment.

Fig. 35: Private Equity Dry Powder by Fund Type, 2003 - September 2011



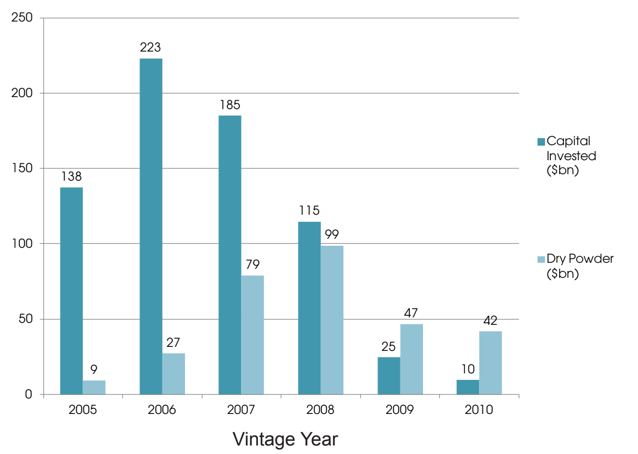
Source: Preqin

Fig. 36: Private Equity Dry Powder by Primary Regional Focus, 2003 - September 2011



Source: Preqin

Fig. 37: Buyout Funds - Capital Invested and Dry Powder Remaining by Vintage Year as of September 2011



Source: Preqin

Performance

By using the data from Performance Analyst, Preqin has analyzed the returns generated by private equity partnerships as of 31 March 2011 to provide an independent and unbiased assessment of the performance of the private equity industry. Preqin currently holds net-to-LP performance data for over 5,700 private equity funds, which in terms of aggregate value represents approximately 70% of all capital raised by the industry. For more information on Performance Analyst, the private equity industry's leading source of fund performance data, please visit www.preqin.com/pa.

Fig. 38 shows the quarterly change in net asset value (NAV) across the private equity industry. The graph shows that NAVs have increased in each quarter since Q2 2010, with the largest increase occurring in Q4 2010. In Q1 2011, the weighted and non-weighted NAVs increased by 5.2% and 4.8% respectively. The weighted metric takes into account the sizes of the funds, indicating that the larger funds saw a slightly greater increase in NAV than the smaller funds during Q1 2011; however it is important to remember that the portfolio values of larger funds fell more during the financial crisis than those of smaller funds.

Fig. 39 illustrates the one-year weighted change in NAV at each quarter-end from June 2010 to March 2011. It shows that over the one-year period to the end of Q1 2011, all the strategies shown are reporting an increase in net asset values: real estate funds yielded an increase of 19.6%, buyout 18.3%, venture 13.3% and fund of funds 12.6%.

Fig. 40 shows a comparison of the horizon returns of all private equity over the one-, three- and five-year periods and returns achieved by three public indices across the same time frame through 31 March 2011. For the one-year period, all private equity returns currently stand at 19.7%, with MSCI Emerging Markets reporting 18.5%, S&P 500 15.6% and MSCI Europe 12.6%. Over the three-year and five-year periods, private equity and MSCI Emerging Markets show similar returns; both outperform the S&P 500 and MSCI Europe. It should be noted, however, that comparison of private equity with listed equities should be viewed within the right context, as private equity is an illiquid asset class where investors are committed over a long period of time.

Fund-level, net-to-LP performance data for more than 5,700 private equity funds, representing over 70% of all capital raised by the industry historically, is available on Preqin's Performance Analyst product. For more information or to register for a demo, please visit: www.preqin.com/pa

Fig. 38: All Private Equity - Change in NAV by Quarter

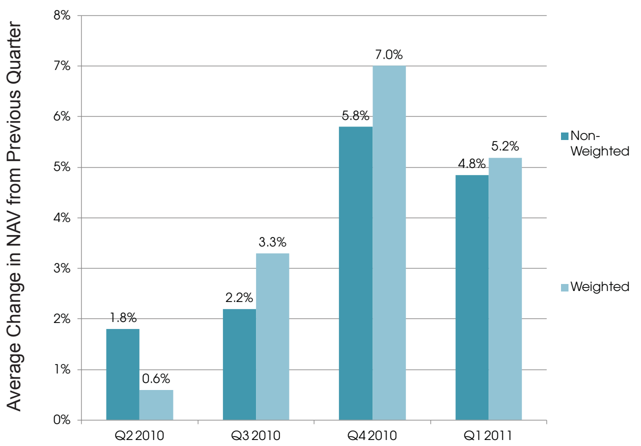


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Fig. 39: Annual Change in Private Equity NAVs by Fund Type (Weighted)

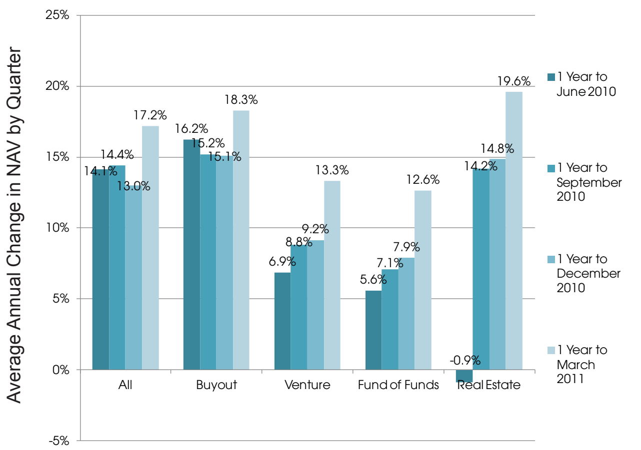

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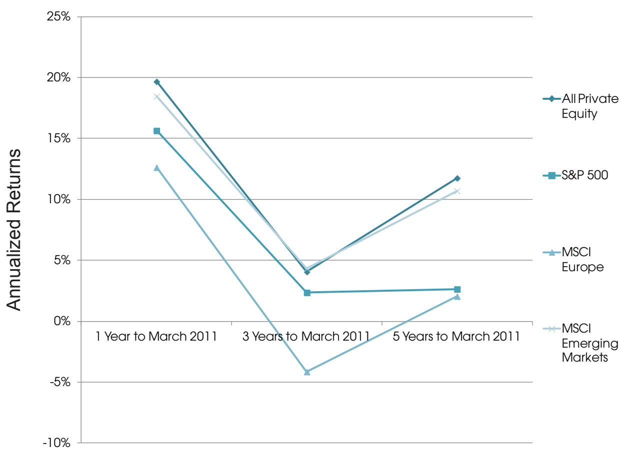
Fig. 40: Private Equity Horizon IRRs vs. Public Indices as of March 2011



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