Private Equity Spotlight

July 2011

Welcome to the latest edition of Private Equity Spotlight, the monthly newsletter from Preqin providing insights into private equity performance, investors and fundraising. Private Equity Spotlight combines information from our online products Performance Analyst, Investor Intelligence, Fund Manager Profiles, Funds in Market, Secondary Market Monitor and Deals Analyst.

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Balance of Power

With fundraising at its most competitive for years, the economic realities of fund formation and fund terms and conditions merit more consideration and attention than ever. This month's feature article outlines the key trends in this important area and assesses how the complex balance of power in the relationship between GPs and LPs can be strengthened by informed and balanced LPAs.
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Preqin News Exclusives

Each month Preqin's analysts speak to hundreds of investors, fund managers and intermediaries from around the world, uncovering vital, exclusive intelligence. This month's News Exclusives features important updates on BTG Pactual, SEB Pension and more.
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Fundraising Predictions

Has the industry reached the lowest point of private equity fundraising? Is the recovery in full gear? We investigate and provide our fundraising predictions as of Q2 2011.
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The Facts

You can download all the data in this month's Spotlight in Excel.
Wherever you see this symbol, the data is available for free download on Excel. Just click on the symbol and your download will begin automatically. You are welcome to use the data in any presentations you are preparing, please cite Preqin as the source.

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Balance of Power

The Impact of Private Equity Fund Terms and Conditions

In the aftermath of the financial crisis it is more important than ever for fund managers to build strong and long-lasting relationships with their investors. Tim Friedman and Alex Jones reveal how fund terms and conditions play an important part of this process.

To the uninitiated, the way in which private equity firms are financed can represent a challenging concept to fully appreciate. In recent years there has been an increasing focus placed on the specifics of how private equity funds are formed and the balance of negotiating power between GPs (general partners/fund managers) and LPs (limited partners/investors). With investors becoming progressively sophisticated, and the economic impact of the financial crisis, many LPs have become more cautious and discriminating in their selection of funds. As a consequence, the terms and conditions offered by a GP have become even more significant as part of the puzzle for attracting institutional capital and in shaping the complex relationship between fund manager and investor.

With this in mind, the 2011 Preqin Fund Terms Advisor has been designed to provide an important reference point – showing the benchmark terms and conditions and also the actual terms employed by individual vehicles. Thousands of industry professionals use this important publication to assess the best practices for private equity funds by type, size and region, with statistics based on analysis of thousands of vehicles. In addition we list the actual terms and conditions employed by 1,600 vehicles (identities disguised), allowing users to compare proposed terms and conditions with peer groups. Individual fund data is also available to purchasers as a data download, allowing readers to perform further analysis. The following article provides a brief overview of the key themes that are fully analyzed in the 2011 Preqin Fund Terms Advisor.

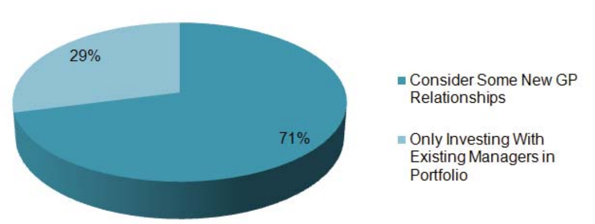
Trust and Confidence the Key to Successful Fundraising

In regards to recent fundraising trends the message from the limited partner community is clear: institutional investors want to commit to firms with which they can form a strong relationship built on trust and confidence. Part of this relationship is built on the past actions and track history of the firm and its partners, but in order to achieve proper alignment it is essential that the limited partnership upon which the relationship is founded elicits the same values. In the past we have spoken of the changing balance of power between GPs and LPs, but perhaps such terminology does not fully take into account the changing way in which LPs view their private equity portfolios. As Fig. 1 shows, 71% of investors are considering new GP relationships in 2011, with just 29% only investing with existing fund managers. LPs are placing existing investments under significant scrutiny, with automatic re-ups a thing of the past. In order to benefit from this potential source of new capital, it is absolutely essential that institutions are treated as partners as much as they are investors, with the alignment of interests in the fund terms and conditions a key factor in establishing this dynamic.

Key Factors in LP/GP Negotiations

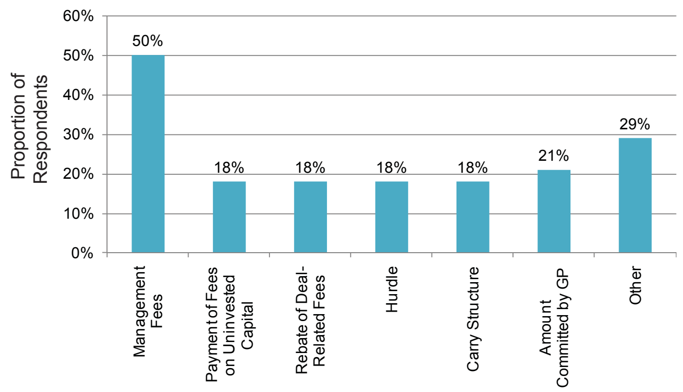
Fig. 2 shows the key areas where LPs feel that improvements can be made in fund terms and conditions based on detailed interviews with 50 leading institutional investors. Fund management fees remain the biggest bone of contention, with 50% of those taking part in the study highlighting this as a key problem area. GP commitments to their own vehicles are also a major issue, with carry, hurdle rates and rebates also facing scrutiny from investors.

Fig. 1: Proportion of LPs Considering Establishing New Relationships with GPs in 2011



Source: Preqin

Fig. 2: Areas in Which LPs Believe That Alignment of Interests Can Be Improved



Source: Preqin

Fig. 3: Buyout Funds - Mean Management Fee by Fund Size and Vintage Year

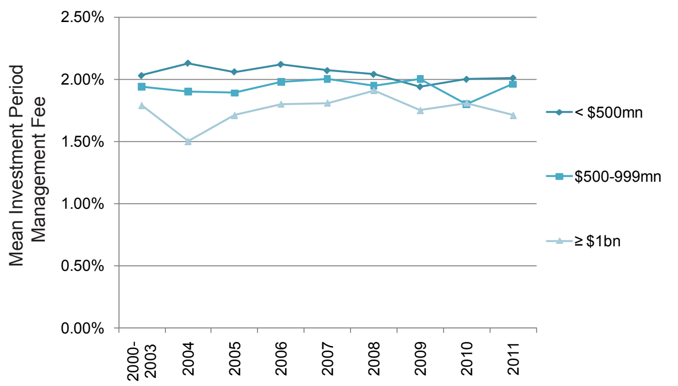


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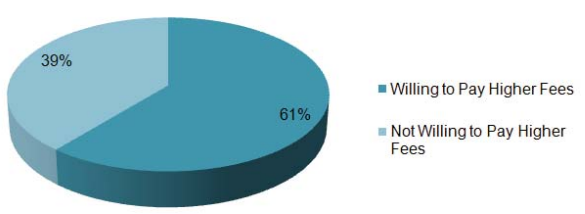
Fig. 4: Willingness of LPs to Pay Higher Fees to More Experienced GPs or GPs with Good Track Records



Source: Preqin

Are We Seeing Changes in Management Fees?

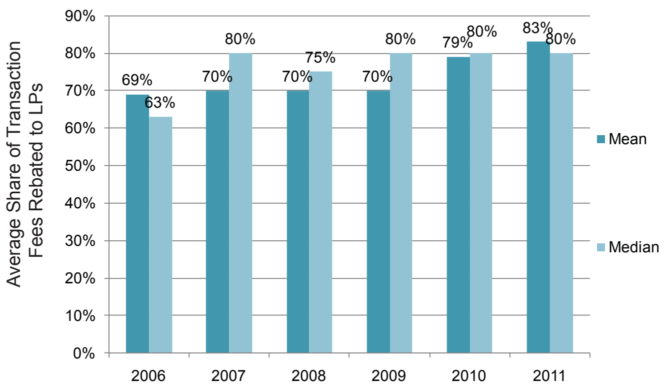
There has been a lot of talk on terms and conditions, and we have seen some real action with firms such as BC Partners hitting the headlines for offering early bird discounts, and investors such as CalPERS, CalSTRS and NJIC successfully negotiating reductions on the fees that they are paying. In order to show the trends across the entire industry, over the past year we have examined the full terms and conditions for 500 new private equity funds. In total, we have analyzed over 2,400 funds launched in the past 20 years and the data collected extends well beyond the headline fees; Preqin has collected information on all aspects of the LPA, including fees, carry, carry structure, hurdles, key man and no-fault divorce clauses, fee rebates and much more. By examining so many funds we are able to show trends and benchmarks for all different types of private equity fund, including analysis by size and vintage year. Fig. 3 shows the changes in management fees for buyout funds by size. While we are seeing some downward movement, with the management fee during investment period for the largest funds dropping to a mean of 1.71%, the change is not as dramatic as we have seen in other areas – which does go part of the way in explaining why 50% of LPs remain dissatisfied.

The other factors behind the lack of real movement can also be explained by the type of funds actually succeeding in closing. With limited investor capital available (until recently when distributions have picked up) relatively few private equity funds have been able to attract enough capital to hold a final close. The competition for investor dollars has left mainly the most successful and sought-after managers as those achieving their targets. Despite all the talk of the balance of power swinging to LPs, there is strong evidence that certain managers are able to command premium fees as a result of their previous strong returns. As Fig. 4 shows, 61% of investors stated that they would be willing to pay higher fees for access to fund managers that they perceive to have the best track records. Of course, it could be argued that investors will pay higher fees as they believe the best firms to be able to put this capital to excellent use in sourcing and managing the best opportunities, but there is certainly evidence that sought-after firms can still dictate fees to investors.

What Other Changes Are We Seeing?

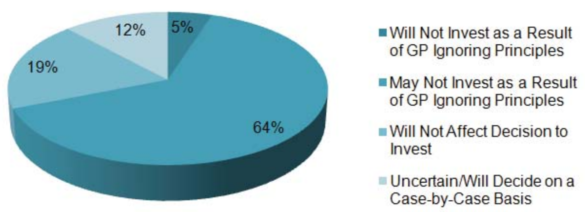
One of the key changes we have been seeing in terms and conditions is in the treatment of transaction and monitoring fees, and the level of rebates that LPs are seeing on their management fees as a result of these fees being shared with the partnership rather than kept by the management. As Fig. 5 shows, mean rebate levels for buyout funds are now at 83% - the highest level ever. Earlier we spoke about the importance of building strong and

Fig. 5: Average Share of Transaction Fees Rebated to LPs in Buyout Funds by Vintage Year



Source: Preqin

Fig 6: Effect of GPs Not Adhering to ILPA's Private Equity Principles on LPs' Investment Decisions



Source: Preqin

lasting relationships between GPs and LPs; clearly the treatment of transaction and monitoring fees is one area where GPs could be showing their commitment by sharing this revenue in its entirety with the partnership. Management fees are of course essential in ensuring the operational ability of the firm to do business – reducing them to too low a level can actually put managers at a disadvantage. Although there is validity in the claims that economies of scale mean that fees can and should come down, higher than average management fees may be acceptable to investors under certain circumstances.

Despite this, it will be increasingly difficult for firms to keep transaction and monitoring fees without alienating a significant proportion of LPs that see this as an important measure not just financially, but also as a sign of commitment to the more balanced relationship that will be increasingly important for the industry going forwards. It is certainly a key demand of the ILPA Principles that such fees are shared in their entirety, and failure to adhere may lead to fundraising difficulties in future without an extremely strong and fair counter-argument. As Fig. 6 shows, 69% of LPs would potentially forgo investment in a fund if it did not conform to the ILPA Principles, and while these are guidelines and not a set blueprint for fund formation, this is clearly a document that the investor community is taking seriously.

The other key area where GPs can ensure the alignment of interests is through making a more sizeable commitment to their own vehicle. Such an investment can come through a traditional commitment model, or can be structured through keeping various fees due to the GPs committed to the fund itself. Over the past year we have seen relatively little movement in increasing GP commitments, but we have heard repeatedly from LPs that this is a major issue for them, with many seeing no better way to align interests than having their managers with skin in the game. Over the past decade, as many managers' assets under management have grown, it is only natural for investors to expect levels of GP commitments to concurrently rise. As a result, fund managers that are able to structure a larger GP commitment can really elevate themselves above the competition in the current competitive fundraising landscape.

Outlook

In some ways, looking at trends in certain aspects of fund terms and conditions in aggregate can be misleading, as neither LPs nor GPs can be considered as truly homogenous groups. LPs are not necessarily demanding a specific management fee level for example; what is far more important is that the fees make sense in the context of the management of the fund. We have shown that there is appetite amongst LPs for higher fees if this can be justified by higher performance, and if higher management fees are necessary to operate a superior firm effectively then many investors will see this as a price worth paying.

What is becoming increasingly harder to justify are LPAs which do not take into account ILPA's guidelines for terms and conditions. While the guidelines are considered to be a starting point for both parties to consider when negotiating fund terms, many within the institutional investor community see the recommendations made by the document as the cornerstone upon which a more balanced, aligned relationship can be built. With LPs seeking higher engagement levels with fewer managers, it will be essential for fund managers to implement best practice terms and conditions if such relationships are to be formed.

Of course, different fund types and sizes demand different structures, and what is acceptable for funds in certain regions differs from others. For example, there has still not been much movement in the proportion of US buyout funds operating a deal-by-deal vs. whole fund carry structure – despite ILPA support for the latter. In Europe however, raising a fund with a deal-by-deal carry structure would be a far more challenging proposition, with European investors unlikely to commit to such a vehicle. Clearly there is a need for balance between the desires and requirements of both the GP and LP, with fund terms and conditions containing an element of give and take. Consequently, while assessing industry wide trends can be useful, it is important to consider the entire fund offering rather than homing in on one specific aspect of the documentation.

2011 Preqin Private Equity Fund Terms Advisor

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The 2011 Preqin Fund Terms Advisor is a vital tool for all private equity firms, placement agents and law firms involved with the fund formation process. It also contains valuable intelligence for all those investing in private equity, and for those advising LPs.

Key features include:

- Actual terms and conditions data for over 1,600 funds, including management fees and mechanisms for reduction after the investment period, carry, carry distribution methods, hurdles, preferred return, fee rebates, no-fault divorce clause, GP commitments, investment period.
- Benchmark terms and conditions data for funds of all different types: buyout, venture, real estate, distressed, mezzanine, fund of funds, secondaries and more…
- Results of our LP survey - the most comprehensive study of current opinions on fund terms and conditions ever conducted.
- Data and analysis on the actual fees and costs incurred by LPs, with listings showing costs for 1,100 named vehicles.
- Full access to our updated Fund Terms Advisor Online product, which enables you to model the real economic impact of fund terms and conditions, and download detailed fund terms for further analysis.
- Comprehensive analysis on all aspects of private equity fund terms and conditions including how conditions have changed over time and what variations exist amongst funds of different type, size and region.

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Preqin News Exclusives

Claire Wilson delivers a round-up of the latest private equity news, featuring exclusive intelligence uncovered by Preqin's analysts. Preqin Online subscribers can click on the investor/firm names to view the full profiles.

Deals Watch

Web hosting company GoDaddy has been bought in a deal worth $2.25bn.

KKR, Silver Lake and Technology Crossover Ventures placed the bid in June, and it was accepted at the beginning of July. The Arizona-based company has been providing domain names since 1997.

Elsewhere, Providence Equity Partners have entered into an agreement to acquire Blackboard Inc. The all-cash transaction worth $1.77bn, which includes the assumption of $130mn in debt, was announced earlier this month.

Brazil is Booming...

Five Brazil-focused funds have closed this month, raising a combined $4.3bn.

The closes come despite fears of over-valuation and currency inflation. The largest fund, BTG Pactual Brazil Investment I, is the biggest independent, Brazil-focused buyout fund raised in the past 10 years. It closed on $1.6bn at the end of June and invests in a diverse range of non-financial companies across the country.

BTG Pactual, Brazil's largest independent securities firm, committed $500mn to the fund, with a further $200mn raised from the bank's partners and employees.

Secondaries News

Montauk Triguard V has closed having exceeded its $300mn target.

The fund, which raised $307mn, will follow a similar strategy to its predecessors and look for more obscure, niche and less well-known opportunities on the secondary market. It will buy stakes in a variety of fund types, including buyout, venture, secondaries, real estate and natural resources funds.

Investors in the fund include Oregon State Treasury and Ohio Police and Fire Pension Fund.

First Commitments

Highland County Council Pension Fund is to invest in private equity.

The pension fund, which has £1bn under management, anticipates making commitments worth £80mn in the next year, building towards a 5% target allocation. General consultant Hymans Robertson will advise on investments, with initial commitments likely to be channelled into funds of funds.

Open to Opportunities

A couple of investors have announced plans to invest in more funds over the next 12 months.

SEB Pension, a SEK 15.5 billion private sector pension fund, has set aside SEK 200 million to invest in up to three new funds. It is likely to commit to small to mid-market buyout funds and will also consider mezzanine, venture, distressed debt and secondaries funds. A large proportion of the pension fund's portfolio is European-focused, although it does have exposure to emerging markets.

SEB Pension will consider investments in first time funds, and acts as both a direct and co-investor alongside GPs in its portfolio. It is currently at its target allocation of 10%, which it is likely to maintain long term.

Nuclear Electric Insurance, meanwhile, could commit up to $20mn to private equity funds in the coming year. The insurance company, with $4.5bn under management, will invest in three or four small to mid-market buyout, distressed debt or oil and gas-focused funds. The majority of investments are expected to be re-ups.

The company has a global portfolio of assets, and it could increase its exposure to emerging markets over time. It acts as a co-investor alongside GPs and it is currently at its 5% target allocation.

Fundraising Predictions - Calling the Bottom

Has private equity fundraising hit its lowest point? Is the market primed for recovery? As part of our latest Private Equity Quarterly, Helen Kenyon provides Preqin's analysis of current fundraising and our outlook for the future.

Private equity fundraising has been extremely challenging over the past couple of years. A record low was reached in Q4 2010, when funds that closed in the quarter raised just $50.4bn. Since then, fundraising has shown some small improvement, with closed funds securing $61.6bn in commitments in Q1 and $66.9bn in Q2.

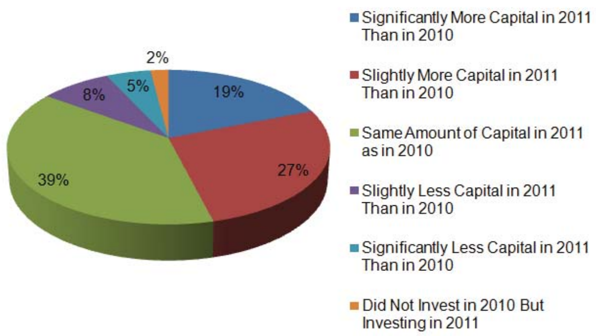
So have we now reached the lowest point in the private equity fundraising cycle and are conditions set to get better? Have we hit the bottom?

Improvements in fundraising rely upon two factors – a supply of good quality funds and LPs with an appetite for private equity and capital available to put to work in the asset class. The supply of new opportunities has not been an issue over the past couple of years and 2011 has seen a number of big-name firms return to the market with new vehicles. At present, 1,665 funds are on the road actively being marketed to potential investors. In the 12-month period from July 2010 to June 2011, 585 funds closed, meaning that nearly three years' supply of funds is currently in market.

An abundance of new vehicles are also being launched: during Q2 2011, 120 funds reached a final close and left the market, and during that same period a further 116 funds were launched. A considerable number of managers are also expected to begin fundraising for new vehicles in 2011-2012 as their existing funds wind up their investment periods.

The demand for private equity investments is still there and investor sentiment has remained resilient in spite of changing market conditions. Preqin's June 2011 LP study indicated that 81% of respondents felt their private equity investments had met or exceeded their expectations. The appetite of institutional investors for private equity over the longer term is also encouraging, with 21% intending to increase their exposure to the asset class over the longer term and 70% planning to maintain their current level of exposure.

Fig. 1: Amount of Capital Investors Plan to Commit to Private Equity Funds in 2011 Compared to 2010



Source: Preqin

LP appetite for private equity has remained strong but what about the level of LPs' planned activity over the next few months? Fundraising levels are a testament to the difficulty GPs have faced in securing commitments from investors in the recent past. A more cautious approach to investments and uncertainty in the market played a part, but we also saw many investors prevented from making new investments by a lack of capital available, frequently as a result of low levels of distributions that have been caused by two years of poor exit conditions.

The rate of distributions from private equity funds is now picking up considerably, with exits of private equity-backed companies reaching record levels post-Lehman. In Q2 2011, there were 309 PE-backed exits valued at an aggregate $120.1bn, outstripping the previous record quarter of $81.5bn in Q4 2010 by a considerable margin. This has left investors with a significant pool of capital to recommit to new vehicles in order to maintain allocations.

Our recent interviews with LPs also indicate many intend to increase the pace of new commitments during 2011. Nearly half (48%) of respondents to our June 2011 LP study revealed that they plan to commit more capital in 2011 in comparison to 2010, while a further 39% intend to commit the same amount.

Further evidence for improved fundraising conditions can be seen in the length of time it is taking managers to raise new vehicles. During 2010, it took an average of 20.4 months from a GP starting to actively market its fund to it holding a final close. Funds closed in Q2 2011, however, took an average of 15 months to reach final close. It is also worth noting that 28% of funds closed in Q2 2011 took six months or less to raise, compared to just 10% over the course of 2010.

Overall, there is strong evidence to support our expectations that fundraising will continue to steadily pick up over the course of 2011. LPs are still keen to invest in private equity and now have increasing volumes of capital free to inject into new opportunities. Improvements in exit levels over the past few quarters should lead to increased LP activity, which will be reflected in fundraising levels later this year. Despite this, with so many funds still on the road, conditions are set to remain extremely competitive and only those managers that stand out and are able to position themselves correctly with the best intelligence will succeed.

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Meeting LP Demand

With fundraising recovering, what can GPs do to ensure that they are attractive to institutional investors? Emma Dineen investigates the thoughts and opinions of LPs around the world.

The private equity market has suffered in the years following the financial crisis. Diminished LP confidence, teamed with the denominator effect, led to a significant reduction in the number, and value, of fund commitments being made. However the pace of new commitments is gradually increasing and conversations with investors over the course of 2011 have indicated that the majority of LPs are keen make new commitments to funds.

Although LPs are picking up the pace of their commitments, they are a lot more discerning when choosing funds to commit to than in the years prior to the financial crisis, and with so many funds on the road to choose from, LPs are well positioned to be selective. Competition between fund managers remains high and, to secure a commitment, managers need to know exactly which LPs to target and how best to approach them.

In June we interviewed 100 LPs to find out their attitudes to the current market, how their portfolios are performing and their plans for future investments.

LPs' Returns Expectations

A fund's performance potential is a crucial factor that LPs consider when selecting funds to invest in – 69% of investors we spoke to in June expect their overall private equity portfolio to generate returns in excess of 400 basis points over the public market benchmark (see Fig. 3). To attract LPs, fund managers need to prove that they can generate strong returns from their investments at all points during the market cycle. We spoke to a German LP earlier in the year who noted that "GPs need to show they have managed the crisis well. Their portfolios need to be in good shape and they need to show they can do good deals going forward."

A number of investors we spoke to feel that private equity has not yet fully recovered from the financial crisis, and remain realistic about the returns the asset class can achieve. Along with 68% of investors (see Fig. 4), one Helsinki-based asset manager feels its private equity returns have met its expectations telling us: "Our private equity investments were exceeding expectations before the collapse of Lehman Brothers and the financial crisis, but now our investments are only meeting our expectations."

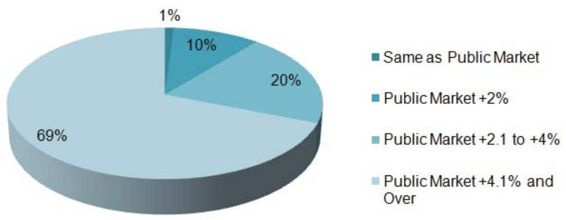
Another LP, based in the Netherlands, stated: "We would expect our private equity returns to be between 2.1% and 4% above the public market; this is a risk-adjusted premium and we believe this return to be achievable."

In the current market, investors need to regain confidence in the asset class, and with so many funds to choose from, they are able to take the time to ensure they feel confident they are allocating their capital to the best teams that have proven consistent returns. When asked what it takes for a GP to secure a commitment from them, one US insurance company told us: "Proven performance is the number one thing that GPs need to have."

Importance of Fund Terms and Conditions

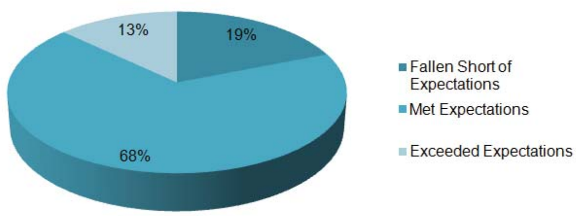
As GPs compete for commitments, LPs are increasingly having more say when negotiating terms and conditions for funds. In recent months we have seen a number of fund managers accommodating LP demands. California Public Employees' Retirement System (CalPERS) recently negotiated reduced fees with its longstanding manager Apollo Management, and the fund manager also agreed to forgo the use of placement agents when seeking capital from the pension fund.

Fig. 1: Investors' Returns Expectations for Their Private Equity Portfolios



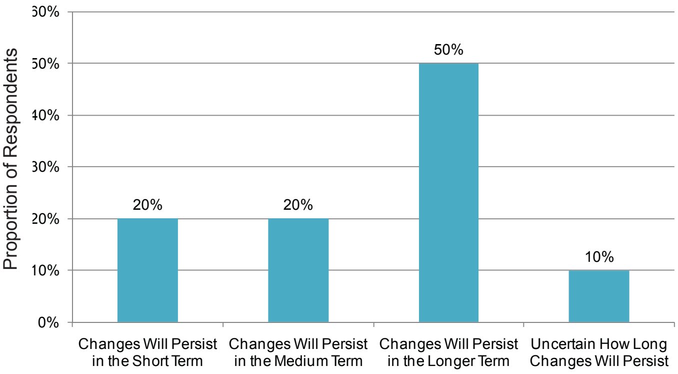
Source: Preqin

Fig. 2: Proportion of Investors That Feel Their Private Equity Fund Investments Have Lived Up to Expectations



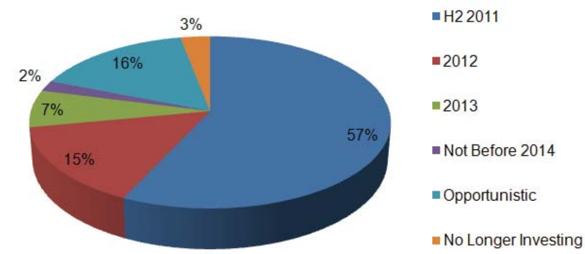
Source: Preqin

Fig. 3: Changes in Prevailing Terms in the Last Year: LPs' Perceptions of How Permanent the Changes Are



Source: Preqin

Fig. 4: Time Frame for Next Intended Commitments to Private Equity Funds



Source: Preqin

The terms and conditions of funds can and have deterred investors from making commitments to otherwise attractive opportunities. In May Preqin interviewed 50 prominent LPs from around the world to discuss their opinions on fund terms and conditions and found that a significant 55% of investors have previously chosen not to invest in a fund because of the proposed terms and conditions. One US endowment, a well established investor in private equity, told us: "[We] constantly choose to not invest in appealing funds because of terms, it happens every day."

In this competitive fundraising market, LPs are in a strong position to negotiate on terms, and to stand the best chance of securing commitments, GPs need to be open to negotiations and willing to adapt their terms to meet LP requirements.

How Long do LPs Expect the Shift to Last?

Over the last few years the balance of power has certainly shifted more towards the LP when it comes to negotiating on issues such as fund terms and conditions with managers. The question remains whether the balance of power will revert back to GPs once the market fully recovers?

While some investors feel that the changes in prevailing terms will be temporary, GPs should be aware that a significant 50% of investors expect the shift in prevailing terms to persist in the longer term (Fig. 5).

Investors' Plans for 2011 and Beyond

A sizeable 64% of investors have made new commitments to funds so far in 2011 and, as Fig. 6 shows, an encouraging 57% of LPs expect to make additional fund commitments before the end of the year. It is also important to note that 16% of LPs will invest if they see attractive opportunities arise; therefore fund managers need to make sure they know how to target these potential LPs so that they really stand out from the crowd.

To secure capital from these investors GPs need to ensure that they are targeting the right investors, and in the right way. One Norwegian insurance company told us: "If GPs do not have the same investment philosophy as we do, then it is pointless approaching us as they will not receive our business."

Maintaining good relationships is essential, and fund managers need to be mindful of their investors' needs. A Finnish LP told us that to secure a commitment "GPs need to have stability, a good record; they need to be service orientated, and not have a bad attitude. We increasingly have fewer good relationships with GPs." A notable sovereign wealth fund emphasized this point, commenting: "GPs need to remember that they are in partnership with LPs and need to treat them with respect."

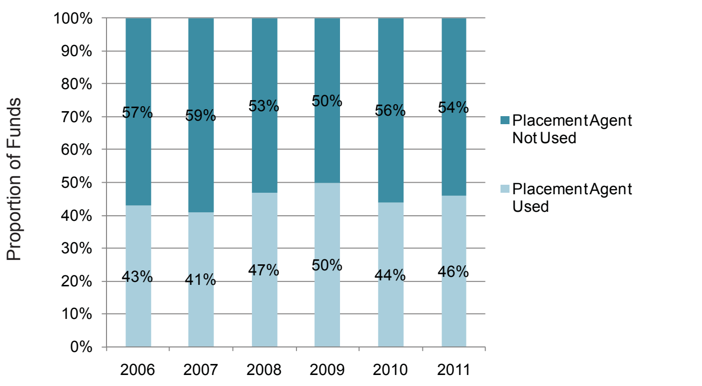
Outlook

As the shake-up of the private equity industry following the market slump is beginning to settle, investors are picking up the pace of their investments. In the years following the crisis, investors have become far more prudent about the investments they make. LPs have higher expectations of their fund managers, and with so many funds competing to secure their capital, LPs are able to pick and choose funds to commit to. GPs should take the time to look after the requirements of LPs in their funds, as well as new investors, in order to build and maintain lasting and successful relationships.

Placement Agents

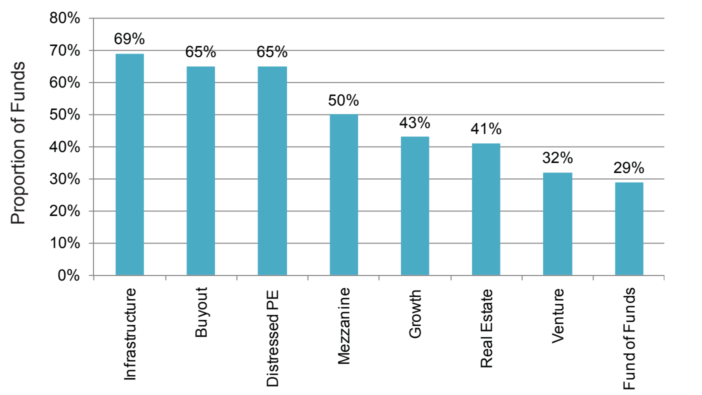
Richard Stus reveals important facts and figures regarding the use of placement agents.

Fig. 1: Proportion of Funds in Market Using Placement Agents by Year



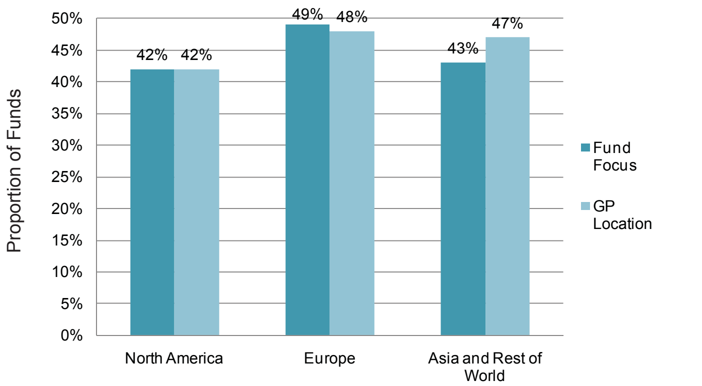
Source: Preqin

Fig. 2: Proportion of Funds in Market Using Placement Agents by Fund Type



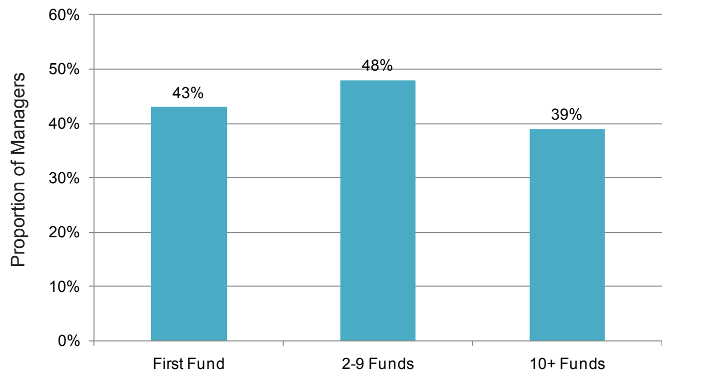
Source: Preqin

Fig. 3: Proportion of Funds in Market Using Placement Agents by Geography



Source: Preqin

Fig. 4: Proportion of Managers at Each Level of Manager Experience Using Placement Agents for Funds in Market



Source: Preqin

Fig. 5: Top 10 Placement Agents by Aggregate Capital Sought

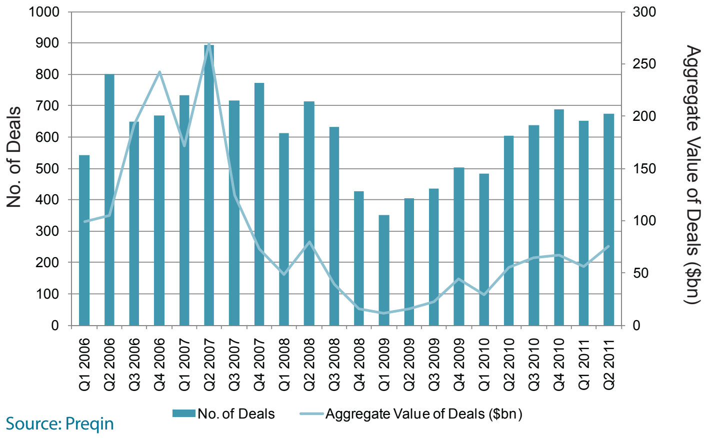
Placement Agent	Aggregate Capital Sought ($bn)	No. of Funds
Park Hill Group	22.4	9
Credit Suisse Private Fund Group	11.9	17
MVision Private Equity Advisers	11.1	13
UBS Investment Bank Private Funds Group	7.6	4
Greenhill Fund Placement Advisory Group	6.5	9
Atlantic-Pacific Capital	5.9	6
Probitas Partners	5.1	4
Campbell Lutyens	4.9	3
Capital and Marketing Group	4.9	3
Lazard Private Fund Advisory Group	4.8	7

Source: Preqin

Buyout Deals and Exits

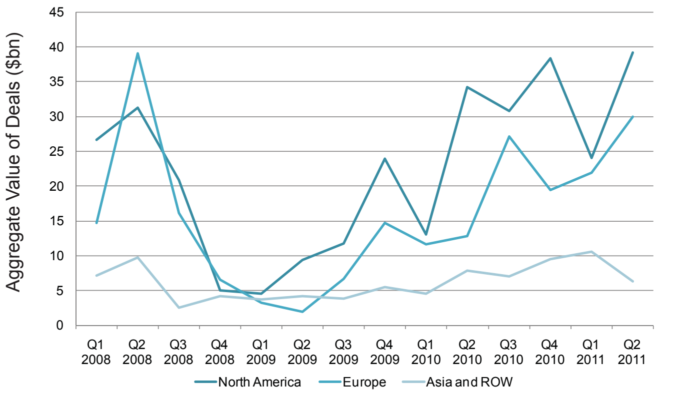
Manuel Carvalho examines the latest private equity-backed buyout deals and exits statistics.

Fig. 1: Number and Aggregate Value of Deals Globally: Q1 2006 - Q2 2011



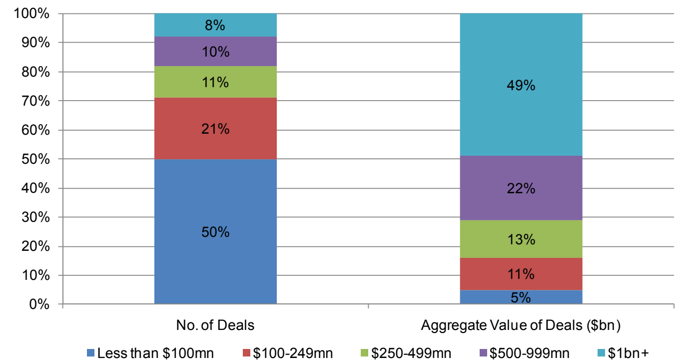
Source: Preqin

Fig. 2: Aggregate Value of Deals by Region: Q1 2008 - Q2 2011



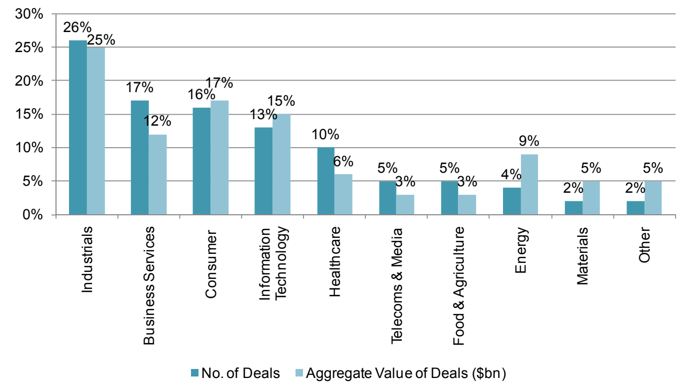
Source: Preqin

Fig. 3: Number and Aggregate Value of Deals by Value Band: Q2 2011



Source: Preqin

Fig. 4: Proportion of Number and Aggregate Value of Deals by Industry: Q2 2011



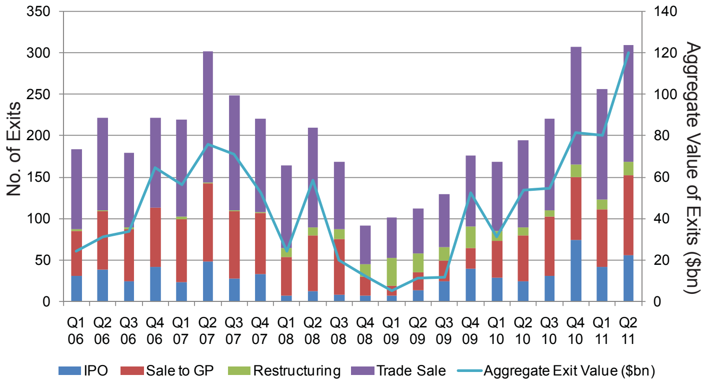
Source: Preqin

Data Source:

Included as part of Preqin's integrated 360° online private equity database, or available as a separate module, Deals Analyst provides detailed information on private equity backed buyout deals and exits globally, including secondary buyout deals. The product has in-depth data for over 21,000 buyout deals across the globe, including information on deal value, buyers, sellers, debt financing providers, financial and legal advisors, company financials and more.

www.preqin.com/deals

Fig. 5: Global Number of PE-Backed Exits by Type and Aggregate Exit Value: Q1 2006 - Q2 2011



Source: Preqin

Fig. 6: 10 Largest Buyout Deals Globally in Q2 2011

Name	Date	Type	Deal Size (mn)	Buyers	Sellers	Industry	Location
Frac Tech Holdings	Apr-11	Buyout	3,500 USD	Chesapeake Energy Corporation, CPP Investment Board, RRJ Management, Temasek Holdings	-	Oil & Gas	US
Securitas Direct	Jun-11	Buyout	21,000 SEK	Bain Capital, Hellman & Friedman	EQT Partners	Technology	Sweden
Spie	May-11	Buyout	2,100 EUR	AXA Private Equity, Caisse de depot et placement du Quebec, Clayton Dubilier & Rice	PAI Partners	Industrial	France
BJ's Wholesale Club, Inc.	Jun-11	Public To Private	2,800 USD	CVC Capital Partners, Leonard Green & Partners	-	Retail	US
Capsugel	Apr-11	Buyout	2,375 USD	Kohlberg Kravis Roberts	Pfizer	Pharmaceuticals	US
Husky Injection Molding Systems	May-11	Buyout	2,100 USD	Berkshire Partners, OMERS Private Equity	Onex Corporation	Industrial	Canada
Lawson Software	Apr-11	Add-on	2,000 USD	Golden Gate Capital, Infor Global Solutions	-	IT	US
SRA International Inc.	Apr-11	Public To Private	1,998 USD	Providence Equity Partners	-	Business Services	US
Gruppo Coin	May-11	Public To Private	1,300 EUR	BC Partners	PAI Partners	Retail	Italy
RAC	Jun-11	Buyout	1,000 GBP	Carlyle Group	Aviva plc	Industrial	UK

Source: Preqin

Fig. 7: Notable Private Equity-Backed Exits in Q2 2011

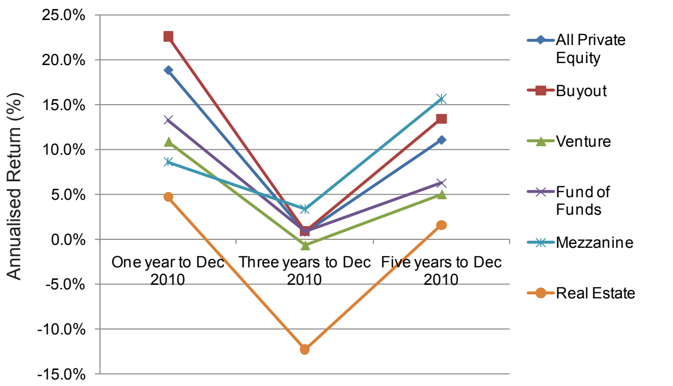
Firm	Investment Date	Investors (Entry)	Deal Size	Exit Type	Exit Date	Acquiror (Exit)	Exit Value	Primary Industry	Location
Nycomed	Mar-05	Nordic Capital	-	Trade Sale	May-11	Takeda Pharmaceutical Company Limited	9,600 EUR	Pharmaceuticals	Switzerland
Glencore International AG*	Dec-09	BlackRock, First Reserve Corporation, GIC	1,000 USD	IPO	May-11	-	6,800 GBP	Industrial	Switzerland
Skype Technologies	Sep-09	Andreessen Horowitz, CPP Investment Board, Index Ventures, Silver Lake	1,900 USD	Trade Sale	May-11	Microsoft	8,560 USD	Technology	Luxembourg
Graham Packaging	Feb-98	Blackstone Group	2,308 USD	Trade Sale	Jun-11	Reynolds Packaging Group	4,500 USD	Manufacturing	US
Diversey, Inc.	Nov-09	Clayton Dubilier & Rice	477 USD	Trade Sale	Jun-11	Sealed Air	4,300 USD	Consumer Products	US

Source: Preqin

Performance

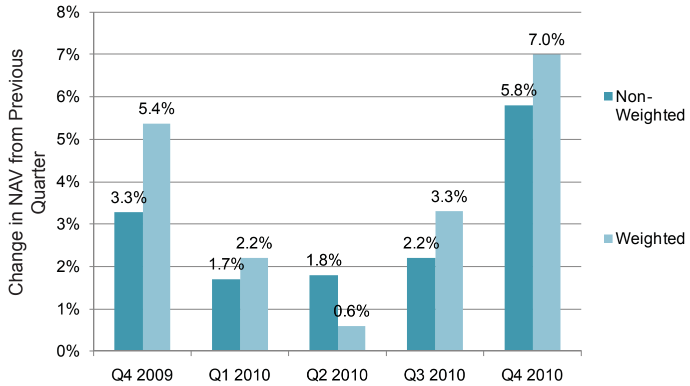
Bronwyn Williams provides a breakdown of the latest private equity performance statistics.

Fig. 1: Private Equity Horizon IRRs as of 31st December 2010



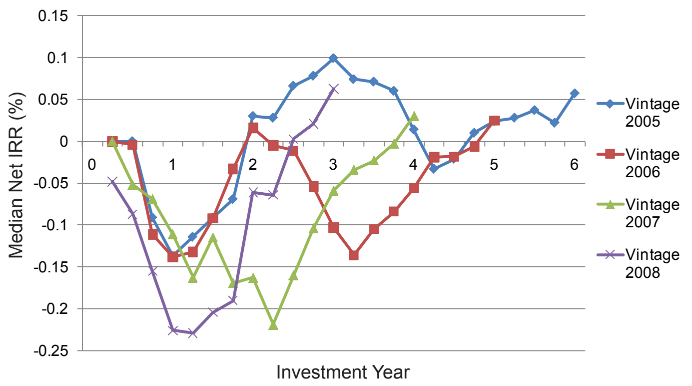
Source: Preqin

Fig. 2: All Private Equity Change in NAV by Quarter



Source: Preqin

Fig. 3: All Private Equity - J-Curve: Annual Median Net IRRs by Vintage



Source: Preqin

Data Source:

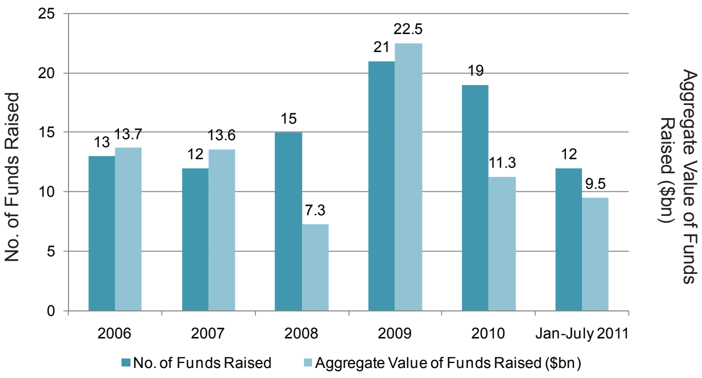
Preqin's extensive performance database features over 5,600 separate vehicles managed by over 1,900 private equity firms from all over the world. We maintain this data using a number of different methods, including collecting performance information directly from fund managers themselves, and also from requesting information from public institutional investors. All this private equity data is at a fund level, and is net to investor.

www.preqin.com/performance

Secondary Market

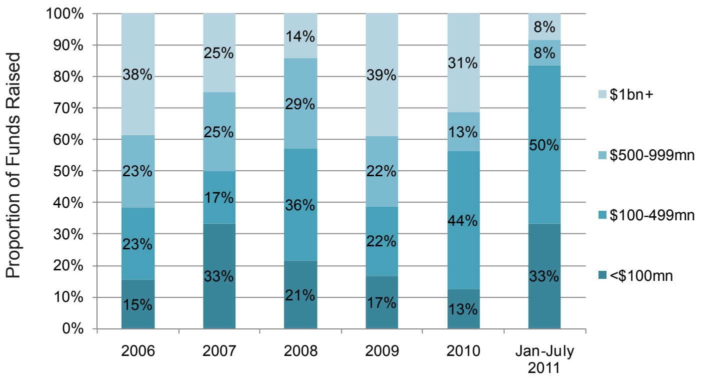
Antonia Lee looks at secondaries fundraising in 2011.

Fig. 1: Annual Secondaries Fundraising, 2006 - July 2011



Source: Preqin

Fig. 2: Breakdown of Secondaries Funds Raised by Fund Size



Source: Preqin

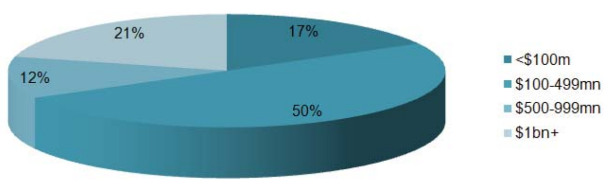
The level of activity of secondaries funds fundraising for the year to date compares favourably to the total annual number of funds raised in the last five years. With 12 funds raised so far in 2011, fundraising levels are similar to those seen annually between 2006 and 2008. With just under six months to go, 2011 looks set to match or exceed the 21 funds raised in 2009. The aggregate amount of capital raised in 2011 so far is already over 80% of that raised in 2010. The 2011 figure however is inflated by the record closing, of $7bn, attained by Lexington Partners for Lexington Capital Partners VII.

Lexington Capital Partners VII is the only secondaries fund to have closed with more than $1bn in commitments in 2011 so far. The vast majority of funds closed in the year to date have been less than $500mn in size, a much higher proportion than in previous years, as Fig. 2 shows.

Of the secondaries funds currently in market, 67% are targeting $500mn or less, indicating that the secondaries fundraising market is being sustained by managers raising smaller funds. Just over half of such managers tend to be less experienced and are raising their first or second funds. The opportunities seen in the secondary market can therefore be seen to be encouraging new, professional buyers of secondary interests to enter the market for the first time.

According to Preqin's unique pricing model, a $10,000,000 commitment to the median 2003 buyout fund - which would have called $9,630,000 and has a reported net asset value (NAV) of $6,529,140 - would today fetch $6,680,028 on the secondary market, or approximately 102% of its NAV.

Fig. 3: Breakdown of Secondaries Funds Currently in Market by Fund Size



Source: Preqin

Data Source:

Secondary Market Monitor (SMM) is a service available free of charge to accredited LPs. The service enables LPs to obtain indicative pricing indications on all or part of their private equity and private equity real estate portfolios.

For more information, please visit:

www.preqin.com/smm

Conferences Spotlight

Conference	Dates	Location	Organizer
Indonesia Investment Summit 2011	20 - 22 July 2011	Jakarta	Terrapinn
Private Equity World Africa	5 - 8 September 2011	Sandton	Terrapinn
4th China Institutional Investment Forum	7 September 2011	Beijing	AsianInvestor
Chilean Investors Forum	14 September 2011	Santiago	Latin Markets Brazil
Family Office Wealth Conference	18 - 20 September 2011	Laguna Beach	II Conferences
SuperReturn Asia 2011	19 - 22 September 2011	Hong Kong	ICBI
9th Annual Alternative Investments Summit	19 - 20 September 2011	Miami	IMN
CEE Private Equity	21 - 22 September 2011	London	IIR
Capital Creation 2011	26 - 28 September 2011	Monte Carlo	Worldwide Business Research
Private Equity Conference	26 September 2011	London	Redcliffe Training
Private Equity Analyst Conference 2011	27 - 28 September 2011	New York	Dow Jones Events
Distressed Debt Conference 2011	3 - 4 October 2011	New York	Deal Flow Media
Peruvian Investors Forum	13 October 2011	Lima	Latin Markets Brazil
SuperReturn Middle East	16 - 19 October 2011	United Arab Emirates	ICBI
Low Carbon Earth Summit-2011	19 - 26 October 2011	Dalian, China	BIT Conferences