Preqin Special Report: US Private Equity

April 2012

Content Includes

North American Fundraising

We assess the experience of North America-focused funds in market in the past year and historically.

Current Fundraising Conditions

How has sustained economic volatility impacted the present fundraising market?

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Investors

We identify the key investors in US private equity to watch, and assess LP attitudes following the eurozone crisis.

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Data Source

Preqin Special Report: US Private Equity draws exclusively on the following sources of information:

- Investor Intelligence - The most comprehensive database of current and potential institutional investors in private equity, featuring in-depth profiles of more than 3,850 actively investing LPs, and over 1,000 that have put their investments on hold, including investment preferences, future plans, key contact details and more.

- Funds in Market - This constantly updated resource includes details for 1,850 funds of all types being raised worldwide, with key information on strategy, target sizes, interim closes, placement agents, lawyers, and LPs.

- Fund Manager Profiles - With detailed profiles for over 6,250 GPs, including key strategic and investment preferences, Fund Manager Profiles is the foremost source of data on private equity fund managers worldwide.

- Deals Analyst - The most extensive, detailed source of information on private equity-backed buyout deals in the world. This comprehensive product contains in-depth data for over 25,000 buyout deals across the globe, including information on deal value, buyers, sellers, debt financing providers, financial and legal advisors, exit details and more.

- Performance Analyst - The industry's most extensive and transparent source of net-to-LP private equity fund performance, with full metrics for over 5,800 named vehicles. In terms of capital raised, Performance Analyst contains data for over 70% of all funds raised historically.

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Foreword

The US represents the largest private equity market in the world. Despite the growth of the industry in Asia-Pacific and developing regions, the industry's traditional home has remained the largest market in the world for private equity deals and is home to large numbers of institutional investors and fund managers alike. While some feel that private equity investment opportunities in the US have become overcrowded, still others are attracted by the maturity of the asset class and the plethora of big name GPs in the country.

The last year has proven to be particularly significant for private equity as a whole for numerous reasons, not least due to the ongoing eurozone sovereign debt crisis, which saw the largely positive and encouraging fundraising conditions at the start of the year fall away as renewed fears of financial crisis and recession took grip. While the long-term outcome of the present economic difficulties are impossible to predict, the current effects on the private equity industry are vital to understand. Consequently, this report aims to analyze US-focused private equity from the perspectives of current fundraising conditions, investor attitudes, and the latest fund performance, framing this vital and most well established part of the industry in its historical context.

In order to tap into the current landscape of US private equity and produce this special report, we conducted interviews with over 100 institutional investors from around the world during December 2011 regarding their attitudes towards private equity in light of recent economic uncertainty. The sample was selected from Preqin's Investor Intelligence database of over 4,900 LPs, the most comprehensive and accurate source of information on investors in private equity funds available today.

US-focused private equity is truly a global industry, with managers targeting the region for investment located around the world. Preqin, as a global firm with offices in New York, London and Singapore, is ideally placed to track wider trends. Our worldwide coverage is provided by teams of multi-lingual analysts, allowing us to remain in daily contact with private equity fund managers, funds of funds, institutional investors, consultants and other service providers. We believe that by speaking to industry players directly, we are able to assess the latest trends and provide our clients with valuable, pertinent and comprehensive analysis and data.

We hope you find the Preqin Special Report: US Private Equity a useful and interesting guide and, as always, we welcome any feedback and suggestions you may have for future editions. Should you wish to have any further information on the products and services offered by Preqin, please do not hesitate to contact any of our offices.

A Jones

Alex Jones
Editor

North American Fundraising in 2011

Global private equity fundraising experienced a strong start to 2011 only to falter in Q3 once the effects of the eurozone crisis took hold. North America-focused private equity fundraising was negatively affected by wider market events, with a sharp decline in the level of aggregate capital raised by funds closed in the third quarter.

The Impact of the Eurozone Crisis

Moving into 2011 poor fundraising conditions prevailed, with low levels of capital being raised across the private equity industry. Despite this, at the beginning of the year there was a sense that the prevailing winds were changing, with wider financial markets stabilizing to a degree. With respect to deals, H1 2011 saw a 49% increase in the value of private equity exits completed compared to H2 2010, with $209bn realized from 328 exits in the first half of 2011, compared to $140bn generated by 377 exits throughout the latter half of 2010. This encouraged a more positive investor outlook and freed up capital to make new investments.

As a result, the first half of the year showed signs of the global fundraising market recovering. While there were still large numbers of vehicles on the road seeking capital, funds were closing in increasing numbers and the logjam of vehicles in market looked to be easing. Globally, 181 vehicles closed in Q1 2011 and this increased to 202 funds in the second quarter, as shown in Fig. 1. Significantly, the levels of capital that the industry was attracting also began to increase in the early part of 2011, with an aggregate $87bn raised by funds that closed worldwide in Q2, the highest total since Q2 2009.

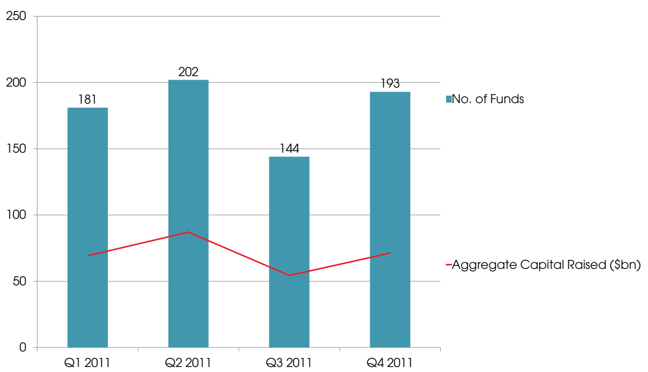
Mounting fears regarding eurozone debt levels and the associated financial market volatility that followed in the second half of the year, however, did much to erase the positive fundraising start. In Q3 144 funds closed on a total of $54.3bn. While the market recovered partially in the last quarter of 2011, with 193 vehicles closing on an aggregate $71.2bn, both the number of funds completing their fundraising and the total capital commitments gained remained below the strong start seen in H1.

North America-Focused Fundraising in 2011

As shown in Fig. 2, North America-focused fundraising ended the year poorly, with aggregate capital raised by funds closed in Q4 below the level for funds closed in Q1. At the beginning of 2011 a total of 80 vehicles closed on an aggregate $38.2bn, whereas in the last quarter of the year 87 funds garnered $35.3bn. The $153.7bn raised by 327 North America-focused funds that closed in 2011 was far below the record $395.6bn raised by 625 vehicles that reached final close at the peak of the private equity boom period in 2008.

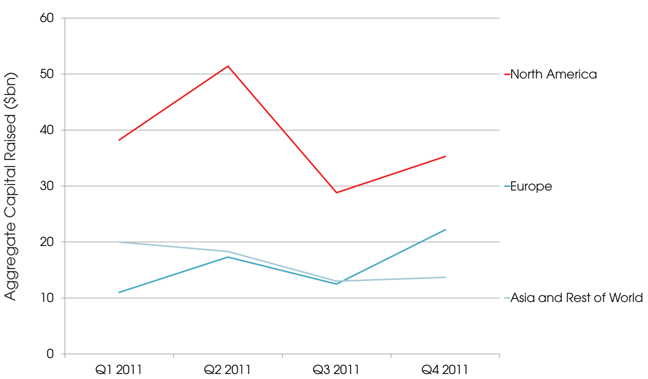
Of North America-focused funds closed in 2011, 31% were real estate funds, 25% were venture funds, while 14% were buyout vehicles and 9% were funds of funds of all types (private equity, real estate and co-investment).

Fig. 1: Breakdown of Global Private Equity Fundraising, Q1 2011 - Q4 2011



Source: Preqin Funds in Market Online Service

Fig. 2: Breakdown of Aggregate Capital Commitments by Fund Geographic Focus, Q1 2011 - Q4 2011



Source: Preqin Funds in Market Online Service

In contrast to North America-focused funds, European vehicles closed in the last quarter of 2011 raised more capital than those closed in the first quarter of the year. Aggregate capital raised by funds closed in Q2 showed an increase for North America and Asia and Rest of World-focused funds; however figures for Q3 dropped considerably due to fears regarding the eurozone crisis, Standard & Poor's downgrading the credit rating of the US and issues/delays surrounding the government's deficit reduction plan all serving to reduce investors' commitments to funds. While Q4 figures bounced back somewhat, aggregate capital raised in the final quarter for North America-focused funds remained $2.9bn below the level garnered by such funds that closed at the start of 2011.

Historical North American Fundraising

Historically, North America-focused fundraising has surpassed that of all other regions for private equity investment. As the traditional base of private equity, North America – and particularly the US – has attracted the lion's share of capital over the years, with the majority of fund managers based there and the bulk of investment focused on the region. The maturity of the private equity industry in the US and the experience of fund managers in the region has led many investors to view investment in the country as an attractive proposition.

As highlighted in Fig. 3, North America-focused fundraising has been substantially higher than both Europe and Asia and Rest of World-focused fundraising in terms of aggregate capital raised. The gap between amounts of capital raised by funds targeting each region increased dramatically during the private equity 'boom period', particularly from 2005 to 2008. As shown in Fig. 4, North America-focused fundraising declined significantly from 2008 to 2009 onwards. Since then, aggregate capital commitments and the number of the funds closing has declined year on year, with aggregate capital commitments dropping from the peak of $395.6bn raised by 625 funds in 2008, to $153.7bn garnered by 327 funds in 2011.

One trend to come out of the upheaval caused following the collapse of Lehman Brothers is that increasing numbers of private equity investors are committing capital to Asia and Rest of World-focused funds, which are seen as being more shielded from the negative impact of the crisis. The private equity industry in the likes of Asia, South America and India has expanded rapidly over the past decade alongside wider financial growth and we have seen a corresponding expansion of the number of sophisticated institutional investors based in these regions. This, coupled with the fact that many Western LPs have become more open to investment in emerging markets at the expense of allocations to funds targeting the traditional markets, has narrowed the gap between fundraising levels in North America, Europe and Asia and Rest of World.

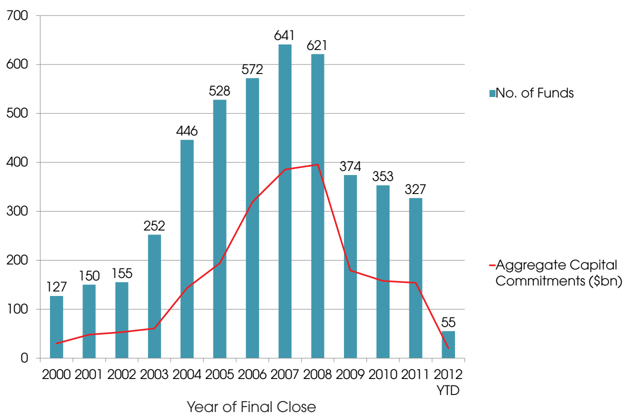
Since the financial crisis hit the private equity industry, the fundraising market across all regions has been very crowded. Poor wider economic conditions led to sustained periods of unattractive deal and exit opportunities, which in turn resulted in a dearth of distributions back to investors and a resultant decline in new commitments to funds. As a consequence, over recent years it has taken progressively longer for many funds to reach a final close. The average time spent in market for North America-focused vehicles attempting to attract capital has increased year on year from 2006 to 2010, rising from 12 months to 18.3.

To compound the crowded conditions seen from 2009 onwards, any brief window of economic stability - such as at the end of 2010 and beginning of 2011 - has led to a flurry of exits and deals made. In such periods, many GPs that were sat on the sidelines have come to market with new offerings, adding to the many already struggling funds. This has created a logjam effect, with record numbers of funds on the road – culminating in over 1,800 vehicles in market as seen during the first quarter of 2012.

Fig. 3: Breakdown of Aggregate Capital Commitments by Fund Geographic Focus, 2000 - 2011

Source: Preqin Funds in Market Online Service

Fig. 4: Breakdown of North America-Focused Private Equity Fundraising, 2000 - 2012 YTD (As at 28th March 2012)



Source: Preqin Funds in Market Online Service

North American Fundraising Outlook - 2012

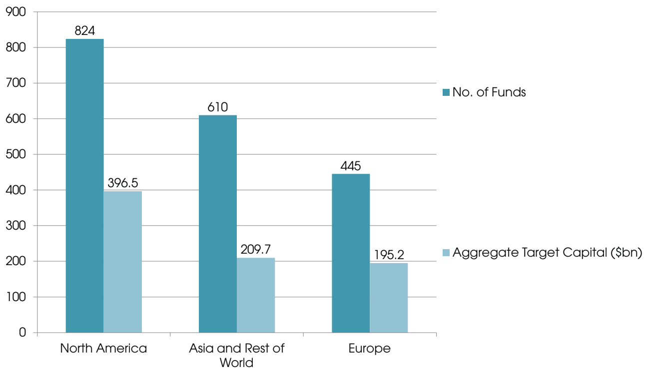
The first quarter of 2012 has seen a record level of private equity funds of all types on the road globally. As of 1st April 2012, there are 1,871 vehicles in market, seeking an aggregate $794bn. Due to the poor fundraising conditions seen in the aftermath of the financial crisis, at present there is effectively three years' worth of fund managers seeking capital, resulting in an unprecedentedly crowded landscape. Despite the difficult market at present, however, some US fund managers have been able to hold successful closes, highlighting the fact that investors remain committed to the asset class and well-marketed and positioned funds can still attract capital. For example, Andreessen Horowitz was able to close its 2012 vintage North America-focused late stage fund, Andreessen Horowitz Fund III, above its $900mn target on $1.5bn in January 2012.

Breakdown of Funds Currently in Market

As shown in Fig. 5, of the record number of vehicles currently seeking capital, 824 (44%) are primarily focused on investment within North America, while 610 (32%) are focused on Asia and Rest of World, and 445 (24%) are primarily targeting opportunities in Europe. Of the three main geographic regions, North America-focused vehicles are currently seeking $396.5bn, representing the largest proportion of the aggregate capital being sought by the industry at approximately half of the total. Of the North America-focused vehicles currently in market seeking capital, 91% are managed by GPs based in the US, representing over 93% of the total capital being sought by such funds. Four percent are managed by firms headquartered in Europe, representing just over 2% of the aggregate capital target, 4% are managed by Canada-based GPs, representing just less than 4% of the aggregate capital being sought by North America-focused funds. The remaining 1% of all North America-focused funds in market are managed by Asia and Rest of World-headquartered managers, accounting for 1% of the aggregate capital being sought. This highlights the fact that the US is the home to the vast majority of private equity fund managers worldwide.

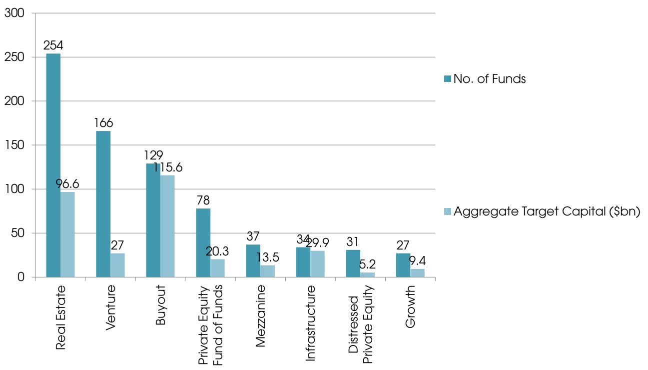
Mirroring trends seen across the industry, the most numerous type of North America-focused fund currently in market is real estate. Such vehicles have had a particularly difficult time in attracting capital from investors, with just 153 North America-focused private real estate funds reaching final close in the last two years, accounting for an aggregate $60.7bn. This represents fewer real estate funds closing, and less aggregate capital raised, than in 2008 alone. As shown in Fig. 6, the next most common fund type in market is venture; however these vehicles typically have much smaller target sizes than funds pursuing other strategies, meaning that 166 funds are targeting just $27bn. North America, and particularly the US, is home to several large hubs for the venture industry, including Silicon Valley and New York City, and consequently is a popular location focus for funds and institutional investors alike.

Fig. 5: Breakdown of Funds Currently in Market by Primary Geographic Focus



Source: Preqin Funds in Market Online Service

Fig. 6: Breakdown of North America-Focused Funds Currently in Market by Fund Type



Source: Preqin Funds in Market Online Service

Outlook for 2012

Conditions in the fundraising market remain difficult, with an unprecedented number of private equity funds seeking capital from investors, but of the North America-focused funds currently in market, 318 have held interim closes of some form, raising an aggregate $65.5bn towards their targets. Despite investors being more cautious and demanding when it comes to fund selection, it is clear that investor sentiment regarding the asset class as a whole remains positive. A December 2011 Preqin study revealed that 42% of LPs view North America as a region presenting the best opportunities for investment in the current financial climate, representing the second most popular choice next to Asia. As we will see later in this report, institutional investor interest is there, but GPs must ensure that they have strong marketing/branding skills, deep knowledge regarding their investor base and a clear, well-thought-out mandate that is deliverable and sustainable.

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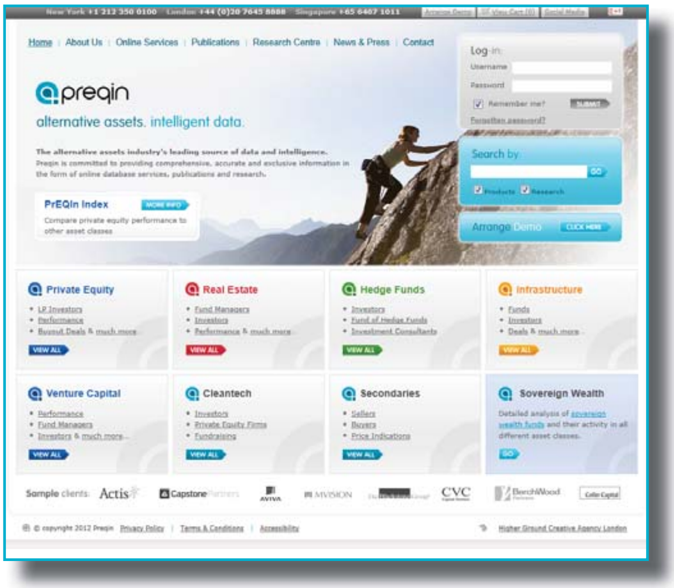
Preqin data is used by a variety of private equity industry professionals including fund managers, placement agents, third-party marketers, law firms, investment banks, and more. Our products can help you meet fundraising targets, understand industry-wide trends and assess your position against your peers.

Interested in finding out more about Preqin's range of products? Arrange a demo today by clicking here or by contacting one of our offices directly by telephone, email or fax using the details below.



One of our dedicated team members will contact you immediately and can arrange a walkthrough at your convenience to demonstrate how you can benefit from having access to our comprehensive, accurate and exclusive data and intelligence.

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US-Based Investors

At present, Preqin's Investor Intelligence product tracks 1,942 private equity investors based in the US, representing 50% of the active global investor universe. As shown in Fig. 7, foundations represent 27% of the total number, with endowment plans accounting for 21% and public pension funds 14%.

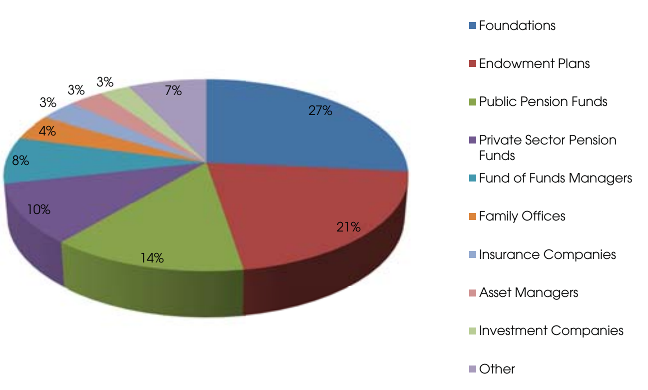
In terms of allocations to private equity, 44% of US investors allocate $0-49mn, while a notable 26% allocate $50-249mn, as shown in Fig. 8. Fifteen percent of US-based investors have allocations in excess of $1bn, demonstrating the highly developed nature of the US private equity industry. The majority of these larger allocators tend to be fund of funds managers; however there are other notable investors based in the region. The details of five prominent US-based LPs can be seen in Fig. 11.

Investment Preferences

In December 2011 Preqin's study of investor sentiment revealed that a significant 36% of US-based institutional investors intend to commit to small to mid-market buyout funds in 2012, with 35% believing that this is the area of the market that is currently presenting the most attractive opportunities. Twenty-nine percent of US LPs advised that they intend to target the distressed private equity space and 29% also believe that this area is most attractive, which is unsurprising given the growing number of opportunities available for distressed investment.

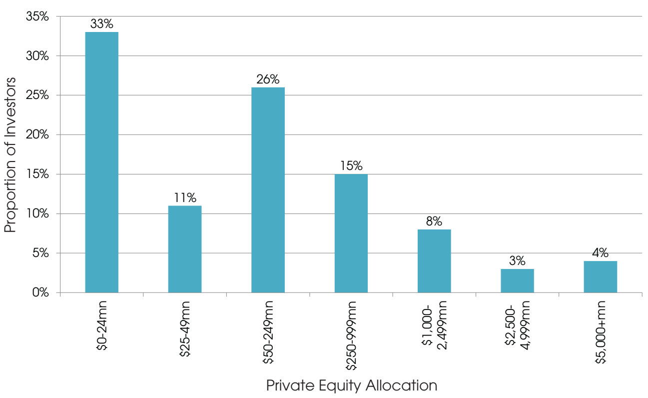
Due to the sophistication of the US private equity industry and the experience of US-based investors, such LPs tend to be more open to investment in first-time fund managers and emerging market investment. In recent years, we have seen a growing number become more open to the perceived higher risk / higher return opportunities presented by emerging managers. At present, 51% of US-based LPs are interested in, or are considering, investment in first-time private equity funds, while 17% are open to investment with spin-off teams. The remaining 32% will not consider emerging managers.

Fig. 7: Make-up of US-Based LPs by Investor Type



Source: Preqin Investor Intelligence Online Service

Fig. 8: Make-up of US-Based LPs by Private Equity Allocation Size



Source: Preqin Investor Intelligence Online Service

Fig. 9: Five Notable US-Based Investors in Private Equity

Investor	Type	Location	AUM (bn)	Current Allocation to PE (%)	First-Time Funds	Typical Investment Size (mn)
California Public Employees' Retirement System (CalPERS)	Public Pension Fund	US	USD 236.5	14.6	Yes	USD 10-200
Goldman Sachs Private Equity Group	Private Equity Fund of Funds Manager	US	USD 34	100	Spin-Offs	USD 50-100
HarbourVest Partners	Private Equity Fund of Funds Manager	US	USD 34	100	Yes	USD 25-100
Adams Street Partners	Private Equity Fund of Funds Manager	US	USD 22	100	Yes	USD 30-60
Washington State Investment Board	Public Pension Fund	US	USD 58.8	25.8	No	USD 50+

Source: Preqin Investor Intelligence Online Service

Investors to Watch

Domestic US-Focused Investors to Watch

Investor Name	Type	AUM	Current Allocation (% of AUM)	Target Allocation (% of AUM)	Summary of Investment Plans
Employees' Retirement System of the State of Hawaii (HIERS)	Public Pension Fund	$10bn	3.8%	5.0%	Employees' Retirement System of the State of Hawaii (HIERS) recently increased its policy target allocation to private equity from 2.5% of total assets to 5%. Following this, it will be increasing its target allocation by one percentage point each year, increasing to 6% in July 2012, until it reaches 7% of total assets, expected in 2013. The public pension fund invests across a variety of fund types, including buyout and venture vehicles. It also invests across a range of locations, including North America, Europe and Asia.
Penn Mutual Life Insurance Company	Insurance Company	$8.6bn	3.5%	3.5%	Penn Mutual Life Insurance Company plans to commit to 15 new funds over the course of 2012, allocating between $100mn and $125mn to the asset class in total. It is targeting buyout, venture and distressed private equity funds going forward. The insurance company typically commits between $5mn and $10mn per fund, and will be mainly looking to work with fund managers it has not previously invested with.
CUNA Mutual Life Insurance	Insurance Company	$10bn	4%	4%	CUNA Mutual Life Insurance is looking to commit to eight or nine private equity funds over the course of the coming year, committing approximately $15mn per fund. The insurance company plans to invest with managers it has an existing relationship with, as well as those that is has not previously worked with. It has a preference for domestic investments, and invests in a variety of fund types, including buyout, venture, mezzanine and distressed debt vehicles. The firm invests in first-time funds and is interested in co-investment opportunities alongside GPs.
Denver Employees' Retirement Plan	Public Pension Fund	$1.8bn	5.2%	6%	Denver Employees' Retirement Plan recently announced it has increased its target allocation to the private equity asset class, from 4.5% of total assets to 6%. The public pension fund predominantly invests in funds of funds, but has previously committed to other fund types. Denver Employees' Retirement Plan invests both domestically in the US and internationally. It typically commits between $5mn and $20mn per fund.
Hartford Investment Management	Asset Manager	$130bn	0.8%	1%	Hartford Investment Management is looking to commit between $150mn and $250mn to around 10 private equity funds over the next 12 months. The asset manager will look to form new relationships with GPs it has not previously worked with, as well as re-upping with existing managers in its portfolio. Hartford Investment Management only looks to invest in funds focusing on opportunities in North America and has a preference for buyout, mezzanine and secondaries funds.

Source: Preqin Investor Intelligence Online Service

Foreign US-Focused Investors to Watch

Investor Name	Type	Location	AUM	Current Allocation (% of AUM)	Target Allocation (% of AUM)	Summary of Investment Plans
Porvenir	Private Sector Pension Fund	Colombia	$15.8bn	2.4%	8%	Porvenir is planning to commit $300mn in total to 5-7 international funds over the course of 2012, targeting buyout and secondaries funds. The pension fund is permitted to invest up to 5% of its total assets in international private equity funds, and a further 5% in domestic opportunities. It looks to make commitments of between $25mn and $50mn per fund and invests in first-time funds, particularly in Colombia.
Medical Doctor's Pension Fund	Public Pension Fund	Germany	DKK 58bn	2%	5%	Medical Doctor's Pension Fund is looking to commit significantly more capital to private equity in 2012, after having been a cautious investor over the past three years. It is likely to make commitments to distressed debt funds over the next 12 months, and believes that North America is currently presenting the best opportunities for investments. The pension fund is planning to primarily form new relationships with GPs over the coming year. It considers investing in first-time funds, as well as committing to a fund before it has held an initial close.
AMP Capital Investors	Asset Manager	Australia	AUD 100bn	n/a	n/a	AMP Capital Investors plans to form new relationships with fund managers over the next 12 months, including emerging managers. It invests in a variety of fund types, including venture, buyout, growth and distressed debt funds. It has a preference for investing in funds focusing on opportunities globally, and typically commits AUD 5-20mn per fund.
Mitsui Sumitomo Insurance Company	Insurance Company	Japan	$70bn	1%	1%	Mitsui Sumitomo Insurance Company is planning to make three or four fund commitments over the next 12 months, committing between $10mn and $15mn per fund. The insurance company primarily invests in funds focusing on opportunities in North America, Europe and Asia. It expects to primarily re-up with existing managers in its portfolio over the coming year, but is also open to forming new relationships with GPs it has not previously worked with.
TfL Pension Fund	Asset Manager	UK	£7bn	n/a	n/a	TfL Pension Fund intends to increase its exposure to private equity over 2012 as it is currently below its target allocation. It is particularly interested in forging new relationships with GPs, and feels small- to mid-cap buyout funds are presenting the best opportunities. TfL Pension Fund targets North America in addition to Europe and Asia.

Source: Preqin Investor Intelligence Online Service

LPs' Attitudes Following the Eurozone Crisis

During the latter half of 2011 growing fears regarding the sustainability of the eurozone and the growing burden placed upon some of its member states due to sovereign debt levels led to a period of sustained financial market volatility across the world. This affected the private equity industry in many ways, chiefly through the constriction of exit and deal markets and the corresponding lowering of capital commitments to funds; however what do LPs feel about investment in the asset class following this crisis?

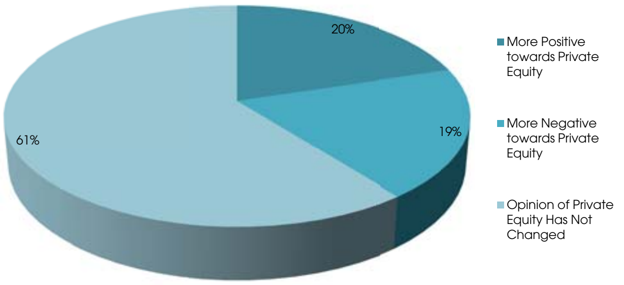
During our December 2011 study of global investor sentiment, we asked investors how recent volatility in wider financial markets, and in particular the sovereign debt crisis in Europe, has impacted on their views of private equity. As Fig. 10 shows, almost two-thirds (61%) of investors we spoke to for this study have not changed their attitude toward private equity investment, and a fifth of investors feel more positive about the opportunities private equity has to offer in light of volatility in wider markets.

Many US-based investors have shown concerns over the impact of volatility in wider markets on their private equity portfolios, but the vast majority are sticking with the program. One private sector pension fund we spoke to commented that: "[there is] less volatility in private equity as it is less correlated to the public market", while a US-based endowment plan noted that "markets are always volatile" and therefore its opinion on private equity has not changed.

A number of investors feel that private equity is faring well in comparison to other asset classes. One US LP stated: "public markets are suffering more", suggesting that there are more attractive and resilient opportunities to be had in private equity.

Some investors (19%) feel more negative towards the private equity asset class as a result of recent market volatility, particularly within the eurozone. Some are concerned that public market losses are increasing the risk of the denominator effect, while others have concerns about maturing funds within their portfolios being able to realize their investments. Several US investors that we have recently interviewed have raised concerns regarding the difficulties in sourcing strong fund managers, which is particularly problematic in the current economic climate.

Fig. 10: Impact of Recent Volatility in Wider Financial Markets on LP Attitudes towards Private Equity



Source: 2012 Preqin Global Private Equity Report

US-Based Buyout Deal Market

The US is the largest market for private equity-backed buyout transactions, comprising over half (54%) of all such deals worldwide and accounting for 59% of aggregate deal value. As shown in Fig. 11, the number and aggregate value of US deals declined significantly as the financial crisis took hold; however deal flow has since rebounded somewhat in subsequent years. From 2009 to 2011 the number and aggregate value of such transactions has increased year on year, hitting a post-crisis peak in 2011 of 1,530 deals for an aggregate $124.3bn. This mirrors global trends that saw 2011 deal activity reach the highest levels since the private equity 'boom period'.

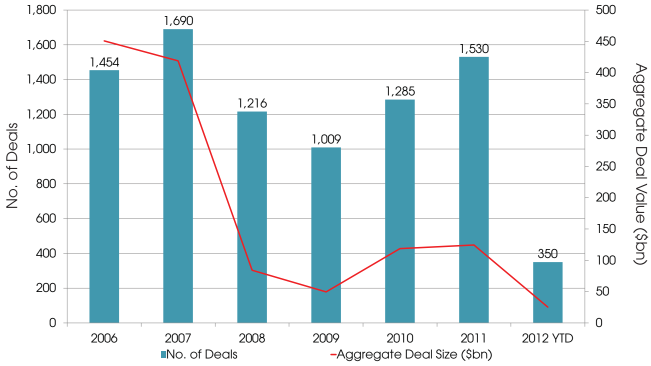
Many fund managers worldwide delayed deploying their capital reserves in the immediate aftermath of the collapse of Lehman Brothers, as conditions were unfavourable due to depressed financial markets, anti-leveraging sentiment from some investors and the lack of easily obtainable debt financing. As conditions subsequently improved, however, there have been several windows of opportunities for deal-making, which has led to a rush of GPs deploying some of the substantial levels of dry powder that have been available to them. Since 2008, capital held in reserve for US-focused funds has declined from $619.3bn to $514bn as managers have put their funds to work.

Buyout Deal Trends

Fig. 12 shows the breakdown of US-based private equity-backed buyout deals in 2011 by transaction type, showing that most prominent buyout transaction type in 2011 was leveraged buyouts (LBOs), which accounted for 44% of all deals completed during the year. Unsurprisingly, these leveraged deals represented the largest share of the aggregate deal value, accounting for 57% of the total. Similarly, public to private transactions represented approximately 3% of the total deal volume for 2011, but made up one-fifth of the aggregate capital.

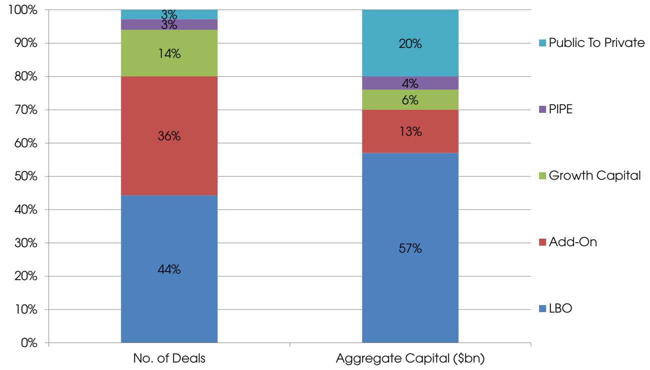
Add-on deals account for 36% of the volume for the year, and 13% of the aggregate capital of all US transactions. Add-on deals, where a portfolio company acquires bolt-on purchases in the same industry, have become an increasingly important tool for fund managers looking to consolidate their portfolio in times of sustained volatility. Add-ons currently represent over one-third of all private equity-backed deals, up from around one-fifth of all deals pre-financial crisis. In 2008 there were 467 add-ons worth an aggregate $3.4bn, rising to 964 completed in 2011 for a total of $28.5bn. Given current wider market conditions, many fund managers have used add-ons to help protect their portfolio against the negative impact of increased volatility and financial stress.

Fig. 11: US-Based Private Equity-Backed Buyout Deals, 2006 - 2012 (As at 30th March 2012)



Source: Preqin Deals Analyst Online Service

Fig. 12: Breakdown of US Private Equity-Backed Buyout Deals in 2011 by Transaction Type



Source: Preqin Deals Analyst Online Service

Performance of US-Focused Funds

Performance Analyst, Preqin's extensive and transparent source of net-to-LP private equity fund performance, currently holds fund-level performance data for 3,947 US private equity funds, ranging in vintage from 1980 to 2011. In total, Preqin holds the most extensive and transparent performance data available to the industry, with full metrics for over 5,800 named vehicles.

Fig. 13 shows the median called-up, distributed and remaining value ratios by vintage year for US-focused funds. Vehicles of vintage years between 2000 and 2004 have a median called-up figure of over 95% of their committed capital and have distributed back between 0.4x and 1.04x of investors' capital contributions. Funds of 2000-2009 vintage are showing a total value to paid-in capital (TVPI) of over 100%, while 2010 and 2011 vintage US-focused funds have TVPIs of 96.7% and 83.0% respectively. For later vintage funds, however, this could yet change, as these funds are still early in their investment cycles.

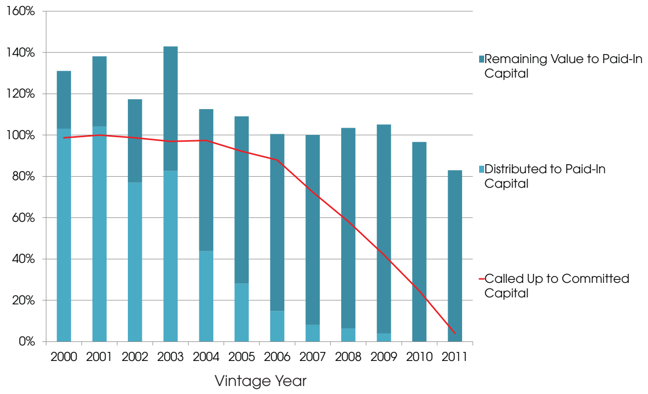
The median net IRR and quartile boundaries by vintage year of US-focused funds are demonstrated in Fig. 14. Median IRRs have remained in positive territory for the entire sample, with the highest median return of 11.0% being achieved by 2009 vintage vehicles. The highest median IRR achieved by top quartile funds, 21.2%, is posted by 2009 vintage vehicles. The bottom quartile boundary remains in the black for all vintage years prior to 2004, before dropping into single-digit negatives for 2004-2008. Vintage 2009 funds, however, are posting a positive figure for the bottom IRR boundary, standing at 1.9%. The difference between the top and bottom quartile boundaries is significant across all vintage years, demonstrating the importance of investors' fund selection. The largest difference is seen for funds of 2009 vintage, with a gap of 19.3 percentage points.

As shown in Fig. 15, from vintage years 2000-2005, US-focused funds show lower median net IRRs than their Europe and Asia and Rest of World counterparts, before overtaking Asia and Rest of World funds from vintage year 2006 onwards and surpassing European funds for the 2009 vintage. This analysis is conducted using performance data for over 3,600 funds with vintages between 2000 and 2009, including 2,314 US-focused, 828 Europe-focused and 468 Asia and Rest of World-focused funds.

Top Performing US-Focused Funds

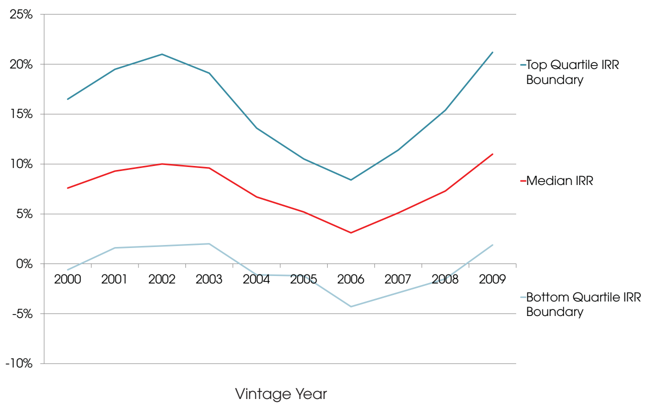
By examining the IRRs of all funds with a focus on investment in the US that have a vintage year of 2009 or older and have invested at least 50% of their committed capital, it is possible to ascertain the best performers. The top ranked vehicle is the 1998 vintage venture fund Matrix Partners V, managed by Matrix Partners, with a net IRR of 514.3%. Avalon Ventures VIII, a 2007 vintage early stage fund managed by Avalon Ventures, has the highest IRR of post-2001 vintage US-focused funds, with 129.2%.

Fig. 13: US-Focused Funds - Median Called-Up, Distributed and Remaining Value Ratios by Vintage Year



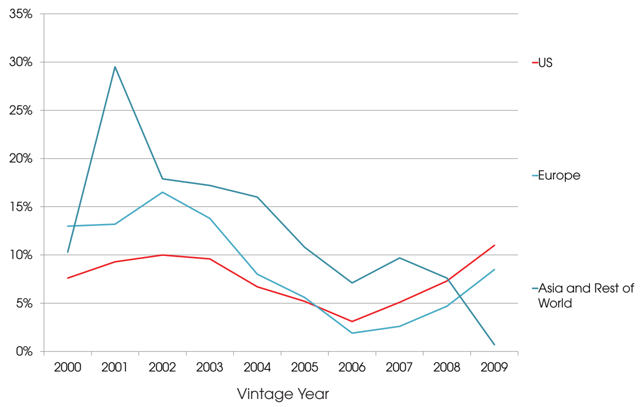
Source: Preqin Performance Analyst Online Service

Fig. 14: US-Focused Funds - Median Net IRRs and Quartile Boundaries by Vintage Year



Source: Preqin Performance Analyst Online Service

Fig. 15: Median Net IRRs by Primary Geographic Focus and Vintage Year



Source: Preqin Performance Analyst Online Service

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