

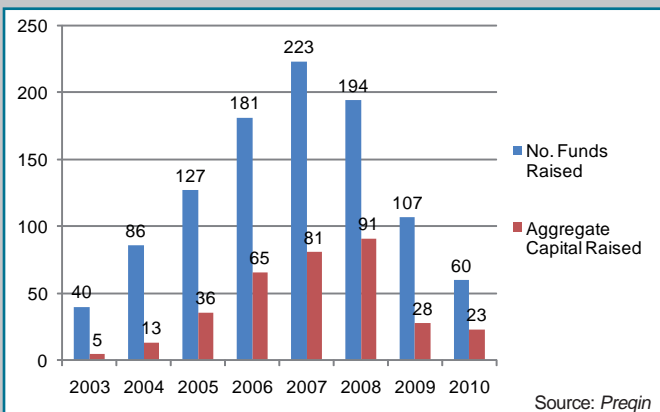
Unprecedented Growth

The period 2003 – 2008 saw unprecedented growth within the Asian private equity industry. Fig. 1 shows the increase in total capital raised annually by funds focusing on the region between the period 2003 and 2008, when a record \$91bn was raised by 194 funds achieving a final close.

As Fig. 2 shows, the record level of capital raised saw the importance of the Asian private equity industry growing on a global scale, with Asian fundraising accounting for an all time high of 14% of all funds raised worldwide in 2008 – up from just 5% in 2003.

However, the effects of the global economic downturn were felt especially hard in Asia, with fundraising declining to a five-year low. While other regions also saw a dramatic decline in fundraising, none were hit harder than Asia, with the region seeing its share of the global market decline below 10% in terms of total capital raised for the first time since 2004.

Fig. 1: Asia-Focused Private Equity Fundraising, 2003 - 2010 YTD



The Changing Dynamic

Such difficulties in the fundraising market may come as somewhat of a surprise – especially considering the relative resilience of Asia-focused private equity funds in terms of performance. As Fig. 3 shows, following an extended period of strong median fund performance since the turn of the millennium, vehicles focusing on Asia have clearly weathered the storm with more success than their European and US counterparts, with median IRRs for all vintage years still posting positive results while funds focusing primarily on the West are still in the red.

The main factors behind the decline in Asia fundraising can be identified by examining the make-up of fund managers and investors in the region more closely. As Fig. 4 shows, in terms of capital, the majority of funds raised up to 2008 for investment in Asia were being committed to foreign managers (i.e. headquartered outside of Asia) rather than those based in the region. Consequently, these managers were relying far more on investors situated in the West than domestic managers.

With many investors in Europe and North America finding themselves over-committed to private equity, gathering commitments for new funds became a challenging prospect, compounded by the fact that investors were far more reluctant to make commitments to a long-term asset class during a period of such uncertainty. For many of those with

Fig. 2: Asia Private Equity Share of Global Market

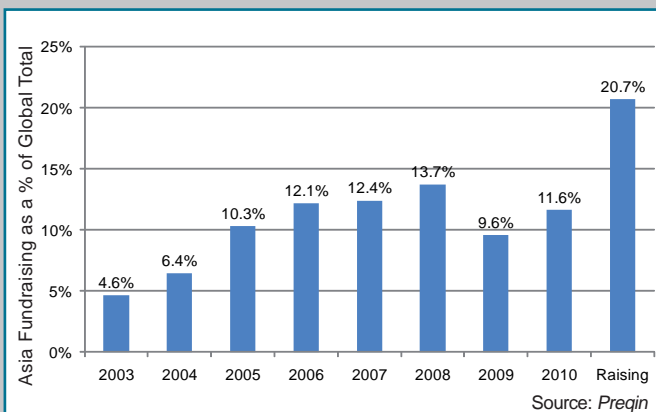
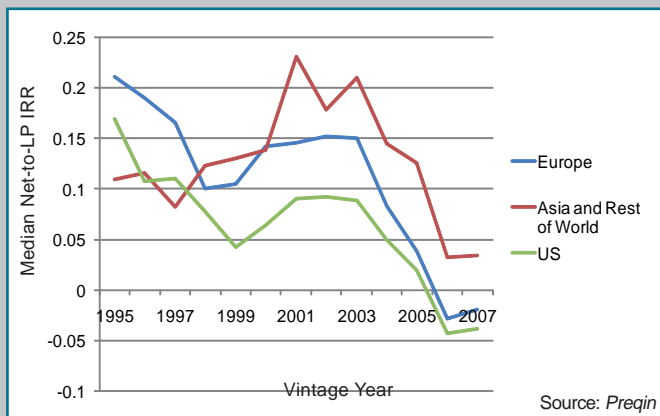


Fig. 3 Comparison of Private Equity Performance by Fund Primary Regional Focus for Funds of Vintage Years 1995 - 2007



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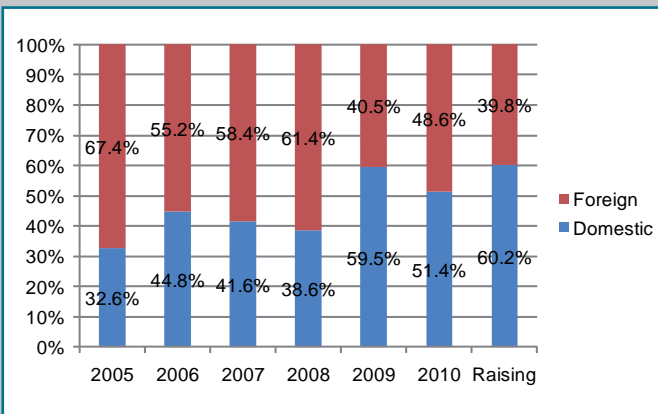
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Fig. 4: Split of Asia-Focused Fundraising by Domestic vs Foreign Headquartered Managers



limited cash available, investments closer to home were the only ones maintained during 2009.

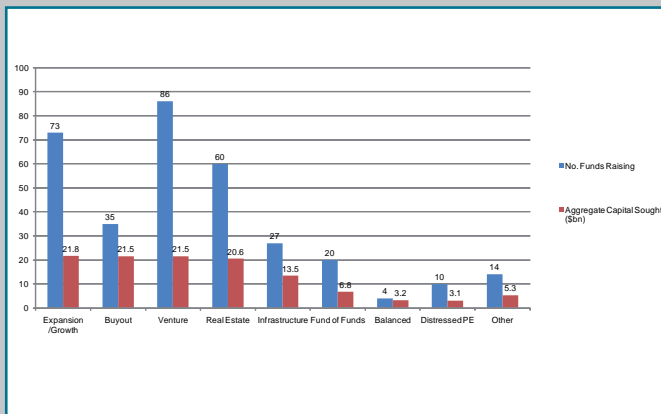
The result has been an increase in the proportion of funds being raised by firms headquartered in Asia, which are more reliant upon gathering commitments from local investors than their international counterparts. The proportion of capital raised in the region from domestic managers rose from less than 40% in 2008 to nearly 60% in 2009. This trend looks set to continue in the longer term, with domestic managers accounting for 60% of all funds currently on the road.

Institutional Investor Enthusiasm Rising across the World

While the global economic crisis brought about a hiatus in the Asian industry's growth story, the resilience of Asian funds and impressive development seen in Asian economies has once again attracted the attentions of many European and American investors in private equity. In a recent survey of institutional investors in private equity, 56% named Asia as an area presenting the best opportunities for investment in the current climate.

Numerous investors have recently shown increased attention towards Asia, including Stapi Lefyrissjodur. The Icelandic pension fund recently began investing in Asia and anticipates its exposure to the region will increase in the

Fig. 5: Split of Funds Currently on the Road by Type



coming years. Commitments are anticipated to be made to pan-Asian funds rather than country-specific funds within Asia.

Another European investor with an interest in Asia is the UK-based London Borough of Islington Pension Fund, which is hoping to gain exposure to Asia through its future commitments to funds of funds. Funds of funds represent a growth story in their own right, with firms such as Beijing-based Diligence Capital and Tokyo-based Brighttrust PE Japan launching new vehicles in recent times aimed at both domestic and international investors alike.

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Within Asia itself there has also been increasing enthusiasm for private equity, with a growing institutional investor base seeking out more balanced and sophisticated investment portfolios. While investors such as the Government of Singapore Investment Corporation and NLI International, a Japanese insurance company, are long-time supporters of the asset class, more recently we have seen new entrants such as National Social Security Fund - China and Hong Kong Monetary Authority Investment Portfolio entering the private equity arena for the first time.

Fund Managers React

The response to the increased enthusiasm from fund managers has been significant. In total there are 329 funds on the road focusing on Asia, seeking a total of \$117bn in



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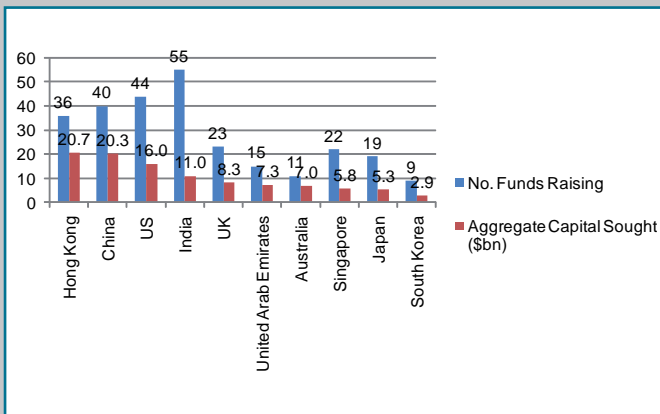
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Fig. 6: Split of Funds Currently on the Road by Fund Manager Headquarters



aggregate commitments. This figure accounts for over 20% of all funds being raised worldwide, a record level which points towards a significant future increase in the proportion of global private equity money focusing on Asia.

Where Is the Money Going?

As Fig. 5 shows, firms raising growth capital funds are seeking to raise the most capital of all fund types currently on the road, with 73 growth funds seeking a total of \$21.8bn. This is one area of the market which is very characteristic to Asia, with the number and value of growth capital funds in Europe and the US being far lower as a proportion of total fundraising. The buyout, venture and real estate sectors are also all seeking over \$20bn with new funds currently on the road.

As Fig. 6 reveals, in terms of manager headquarters, Hong Kong-based firms are leading the field in terms of capital being sought for new funds on the road. Hong Kong is followed closely by China, which represents a leading centre for new capital being raised for the region, with many of the funds being raised by managers headquartered in Hong Kong, Singapore, the US, the UK, the UAE and elsewhere focusing either entirely or to a significant extent on opportunities in the region. India is also a leading region within Asia for private equity investment, while there are also significant new markets emerging in countries such as

Vietnam, which has six home-grown funds currently on the road seeking just over \$1bn in aggregate commitments.

Long-Term Outlook

As the abundance of new funds on the road shows, growth within the private equity industry in Asia is already underway. With increasing numbers of both domestic and inter-regional investors seeking to increase their exposure to Asia, it is likely that many of these new vehicles will be successful in achieving their targets, and will go on to invest billions of dollars in Asian companies.

Unlike with previous periods of industry growth, the recent rise in activity is being driven primarily by an increase in the number and stature of domestic firms, with many new private equity houses starting up, and existing domestic players raising larger vehicles.

In order to capture all of these important new developments, we are very excited to announce the launch of our first Asian office, in Singapore. We are confident that this move will enable us to better capture all the activity in the region, and better serve our clients in Asia and all other regions worldwide.

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Fig. 7: Top 10 Asia Private Equity Funds Closed to Date (Excludes PERE Funds)

Fund	Vintage	Manager	Type	Final Size (mn)	Manager Country
TPG Asia V	2008	TPG	Buyout	4,250 USD	US
CVC Capital Partners Asia Pacific III	2008	CVC Capital Partners	Buyout	4,119 USD	UK
KKR Asia Fund	2007	Kohlberg Kravis Roberts	Buyout	4,000 USD	US
Citigroup International Growth Partnership II	2007	Citi Venture Capital International	Expansion	4,000 USD	UK
Avenue Asia Special Situations Fund IV	2006	Avenue Capital Group	Distressed Debt	3,000 USD	US
Actis Emerging Markets 3	2007	Actis	Buyout	2,900 USD	UK
Affinity Asia Pacific Fund III	2007	Affinity Equity Partners	Buyout	2,800 USD	Hong Kong
Bohai Industrial Investment Fund	2006	BOCI Private Equity	Buyout	20,000 CNY	Hong Kong
Carlyle Asia Partners III	2008	Carlyle Group	Buyout	2,550 USD	US

Fig. 8: Top 10 Asia Private Equity Funds Currently on the Road

Fund	Manager	Type	Target Size (mn)	Manager Country
AVIC Fund of China	CCB International Asset Management	Expansion	20,000 CNY	Hong Kong
China Cultural Industry Investment Fund	BOCI Private Equity	Buyout	20,000 CNY	Hong Kong
GP Capital	China International Capital Corporation Private Equity	Buyout	20,000 CNY	Hong Kong
Shanghai Financial Development Investment Fund	Jinpu Industrial Investment Fund Management	Venture (General)	20,000 CNY	China
Suzhou Venture Capital Fund	China Development Bank	Venture (General)	15,000 CNY	China
Macquarie State Bank of India Infrastructure Fund	Macquarie Infrastructure and Real Assets	Infrastructure	2,000 USD	Australia
Baring Asia Private Equity Fund V	Baring Private Equity Asia	Balanced	1,750 USD	Hong Kong
Huarong Yufu Fund	China Huarong Asset Management Corp	Venture (General)	10,000 CNY	China
China Mining United Fund I	China Mining United Fund	Natural Resources	10,000 CNY	China
Guosheng CLSA (Shanghai) Industrial Investment Management Co.	CLSA Capital Partners	Venture (General)	10,000 CNY	Hong Kong

Fig. 9: Examples of Investors in Recently Closed Asia Funds

Investor Name	Investor Type	Country	Sample of Recent Asia-Focused Fund Investments
Asian Development Bank	Bank	Philippines	AmWater Asia Water Fund, Asia Clean Energy Fund, China Clean Energy Capital, GEF South Asia Clean Energy Fund, Islamic Infrastructure Fund, MEACP Clean Energy Fund, Mekong Brahmaputra Clean Development Fund, South-Asia Clean Energy Fund
California Public Employees' Retirement System (CalPERS)	Public Pension Fund	US	Aetos Capital Asia III, Carlyle Asia Growth Partners IV, Carlyle Asia Partners III, India Value Fund IV, New Horizon Capital Fund III, SAIF Partners IV
CDC Group	Government Agency	UK	Ascent India Fund III, Avigo SME Fund III, CDH China Fund IV, India Financial Inclusion Fund, Kaizen Education Fund I, LC Fund IV, Lok II, Multiples I, Renewable Energy Asia Fund, VenturEast Life Fund III
International Finance Corporation (IFC)	Government Agency	US	Ambit Pragma Ventures, AmWater Asia Water Fund, Aquarius India Fund, Avigo SME Fund III, BioVeda China Fund II, CDH China Fund IV, China-ASEAN Investment Cooperation Fund, Clean Resources Asia Growth Fund, India Agri Business Fund, Lok II, Quvat Capital Partners II, SEAF Bangladesh Ventures, VenturEast Life Fund III, Vietnam Investments Fund I, Vietnam Pioneer Fund
National Research Foundation	Government Agency	Singapore	Extream Venture Fund I, Nanostart Singapore Early Stage Venture Fund I, Raffles Venture Partners, Seed Ventures IV

If you are an investor, fund manager or other private equity professional operating in Asia and would like to ensure that information we hold on your firm is correct, please contact Stuart Taylor at our Singapore office on +65 6408 0122.

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