

Preqin Ltd.

Q3 2008 Private Equity
Fundraising Update

24th October 2008

The Effect on Fundraising: Credit Crunch Takes Bite out of Private Equity Fundraising

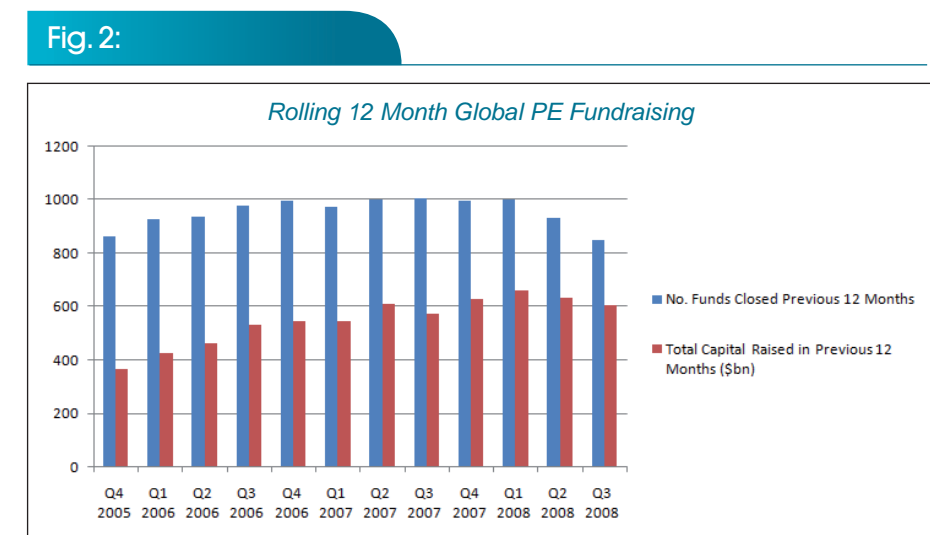
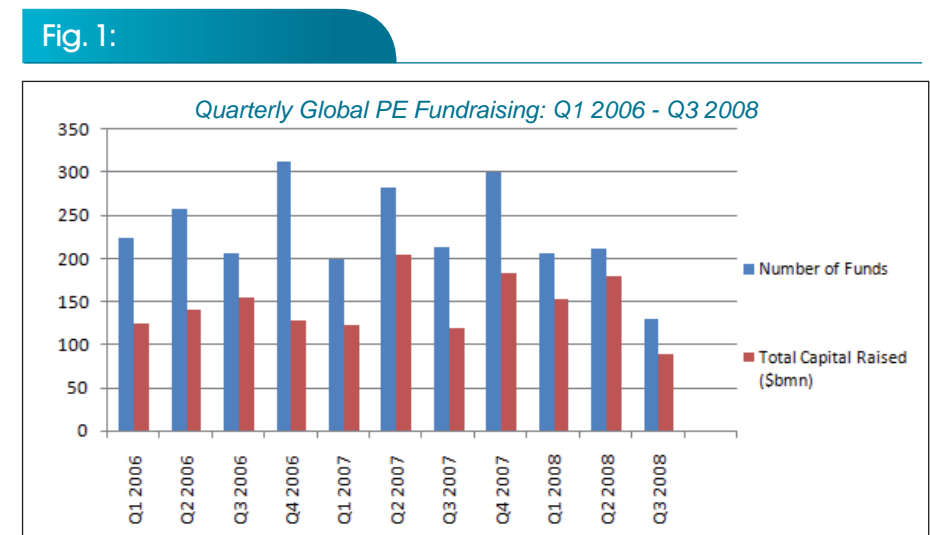
The troubles affecting the global financial markets have taken their toll on private equity fundraising, with fundraising figures for Q3 2008 the lowest they have been since Q1 2005. As Fig. 1 shows, there were a total of 129 funds achieving a final close worldwide in Q3 2008, with these vehicles raising an aggregate \$88bn in capital. This is the lowest quarter since 2005. It is likely that this number will increase slightly as additional information on funds closed in this period is made available.

Although Q3 fundraising stands out as being especially low, it actually represents a continuation of a longer term downward trend in fundraising that has been occurring for some time. Fig. 2 shows 12 month rolling fundraising for the global private equity industry. Over a longer timeframe fundraising is now beginning to decline after reaching a peak in Q1 2008.

The third quarter can often be relatively slow when compared to the rest of the year, and so it is helpful to compare how fundraising has changed for each quarter in comparison with figures for the same quarter 12 months previously. Fig. 3 demonstrates just how rapidly the industry was growing up until 2008, with quarterly figures regularly exceeding those of the previous year, especially in terms of capital raised. This situation is now changing, and in 2008 we are seeing fundraising falling below that of the previous year, especially in terms of the number of funds raised which is currently down by 40%.

Q3 2008 Fundraising in detail:

Funds focusing on the US raised the highest levels of capital in Q3 2008, with 68 vehicles achieving a final close gathering \$59 billion in aggregate commitments. A total of 33 funds focusing on Europe raised an aggregate \$14 billion, while 25 funds focusing on Asia and the Rest of the World region raised an aggregate \$15



billion. This represents an especially inactive quarter for European fundraising, with funds focusing on Asia and the Rest of World exceeding the total capital raised for Europe

for the first time in the history of the industry.

In terms of type, buyout funds were most popular, with 34 funds raising

“... Private equity fundraising is set to enter its most challenging era of all time...”

”

an aggregate \$42.7 billion. Although buyout funds remain the most popular fund type, the total levels of capital raised still represents a significant drop from previous quarters. A total of 34 real estate focused funds raised an aggregate \$30.2 billion, with much of this capital being raised by funds that are focusing on providing debt, and also funds that are opportunistic in nature. Value added and core-plus focused real estate private equity vehicles are finding it especially challenging to raise capital in the current environment. A total of \$9.3 billion was raised by 39 venture funds achieving a final close in 2008, which represents a drop from the \$13.5 billion raised in Q2, and is significantly down from the \$21 billion raised by the sector in Q3 2007.

Current Fundraising Market:

Although the number of vehicles closing has slowed considerably, the number of vehicles on the road seeking capital remains extremely high, and has increased dramatically over the course of 2008. There are currently 1,601 funds on the road seeking an aggregate \$934 billion – a significant increase from as recently as January 2008, when there were 1,304 funds seeking \$705 billion. As a result fundraising has become increasingly competitive, and with investors currently reluctant to make new investments as a result of the global financial climate, it is becoming harder than ever for fund managers to raise capital. A recent piece of Preqin analysis indicates that fundraising is

Fig. 3:

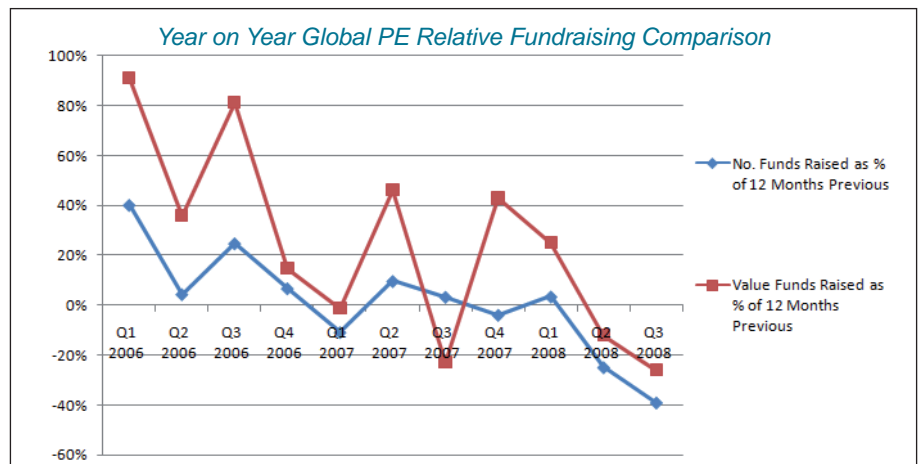
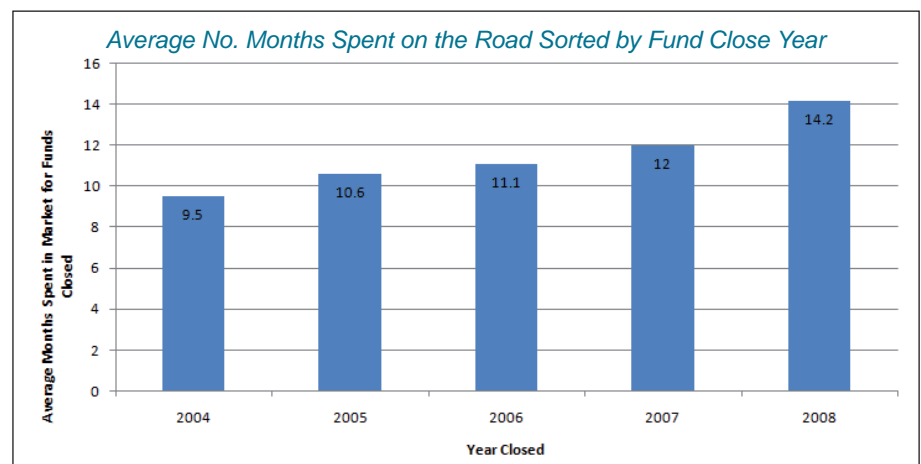


Fig. 4:



now taking an average of 14.2 months to complete, up from 12.0 months in 2007, and 11.1 months in 2006. (Fig. 4).

Private equity fundraising is set to enter extremely challenging times.

For those raising funds, track history will become more important than ever, as will a defined plan for how the fund manager will adapt their focus to suit the current financial climate.

Many firms could find conditions becoming too challenging, and it is likely that we will see firms reducing

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their fundraising targets, closing short of their initial targets, and in some cases even postponing their fundraising efforts altogether.

Many investors are now experiencing a denominator effect, with other sectors of their portfolios being devalued in the wake of the ongoing financial crisis leading to over-allocation to private equity. This,

in conjunction with fears over the availability of credit and general feelings of uncertainty, is having a profound effect upon the fundraising market.

Private equity is a long term asset class, and many of the institutional investors active in the sector take a long term view towards their investments. Returns from private

equity funds have been very strong, and it is certain that investors are still keen to make new investments in the future. However, with conditions remaining uncertain it could be some time before confidence returns, and this is going to lead to continued pressure and difficulties for those managers seeking capital.

Tim Friedman

Global Fundraising Update Q3 2008 Overview

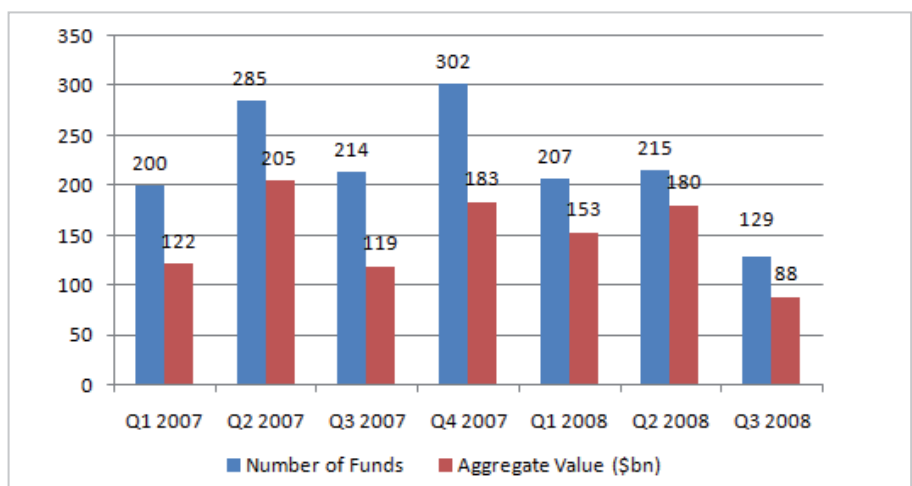
The credit crunch is beginning to have a serious effect on fundraising, with the number and value of vehicles raised in Q3 2008 falling significantly in comparison with recent times.

A total of 129 private equity funds reached a final close during Q3 2008, raising aggregate commitments of \$88 billion. This represents a 51% decrease in capital commitments in comparison to the \$180 billion raised by 215 funds during Q2 2008, and a 42% decrease from the \$153 billion garnered by 307 funds in Q1 2008. The fundraising figures for Q3 2008 have confirmed continuing fears in the industry of a slowdown in private equity industry, with recent events in financial markets no doubt contributing to the recent slump in fundraising. However, it is important to note that Q3 is often a slower quarter for fundraising when compared to Q2, with Q3 2007 at the time raising 41% less in capital commitments compared with its predecessor quarter Q2 2007.

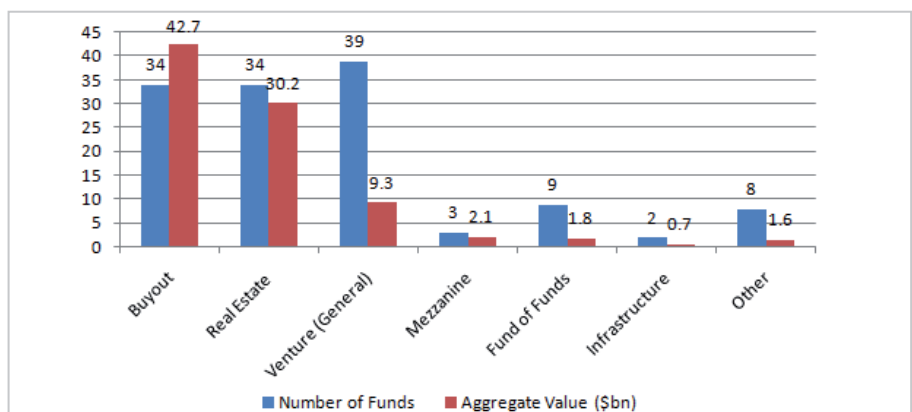
Fundraising in Q3 2008 by Fund Type

- 34 buyout funds raised an aggregate \$42.7 billion during Q3 2008, representing a fall from the \$48.4 billion raised by 34 funds raised in Q2 2008. The largest buyout fund to achieve a final close during Q3 2008 was TPG Partners VI, a \$19.8 billion fund managed by US-based TPG.
- 34 real estate funds raised aggregate commitments of \$30.2 billion during the third quarter of 2008.
- A total of 39 venture funds closed during Q3 2008, raising \$9.3 billion in capital commitments, including the closing of Austin Ventures X, a \$900 million venture fund with a preference towards early stage

Quarterly Fundraising 2007-Q3 2008



Q3 2008 Fundraising by Fund Type



investments, managed by Austin Ventures.

- 3 mezzanine funds raised \$2.1 billion during Q3 2008, with the aggregate capital raised in the sector almost entirely raised by GSO Capital Opportunities Fund, a \$2

billion fund managed by US-based Blackstone Group.

- 9 fund of funds closed during the third quarter of 2008, raising \$700 million in capital commitments.

Manuel Carvalho

Global Fundraising Update Q3 2008

Funds in Market

There are currently 1,601 private equity funds in the market, a 4% increase on the 1,533 fund reported in Q2 2008, and a 34% rise from the 1,196 fund on the road at this time last year. The aggregate target being sought by funds currently raising stands at \$934.2 billion, an increase of 3% from the \$909 billion capital sought in Q2 2008.

Although fundraising has maintained a strong pace in terms of aggregate commitments raised, the number of vehicles achieving a final close has again fallen considerably in comparison to earlier quarters, and is still falling well short of the required level to bring equilibrium to the fundraising market.

The average size of funds closed in Q3 2008 stands at \$738 million, exceeding the average size of funds on the road which currently stands at \$589 million. With larger funds remaining popular with investors, many smaller funds are finding the fundraising market very competitive, and this is reflected by the fact that the average fund close size is far larger than the average fund size in the current fundraising market.

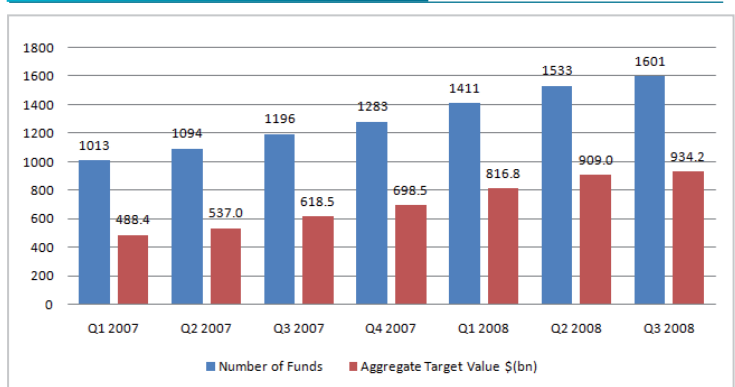
There are currently 24 funds on the road seeking to raise \$5 billion or more. The target size of these funds makes up 23% of the total capital sought by funds currently on the road. Of these 24 funds, 7 are targeting to raise \$10 billion or more in capital commitments. Some of the largest funds currently on the market include Blackstone Capital Partners VI, targeting to raise \$20 billion in capital commitments, and CVC European Equity Partners V, which has a target size of €11 billion.

US focused funds continue to dominate the market, with 756 funds currently on the road focusing on the region seeking \$486.4 billion in capital commitments. This represents a 4% increase in the number of funds and a 1% decrease in the target capital commitments sought in comparison to Q2 2008, where 729 US focused funds targeted \$492 billion in commitments.

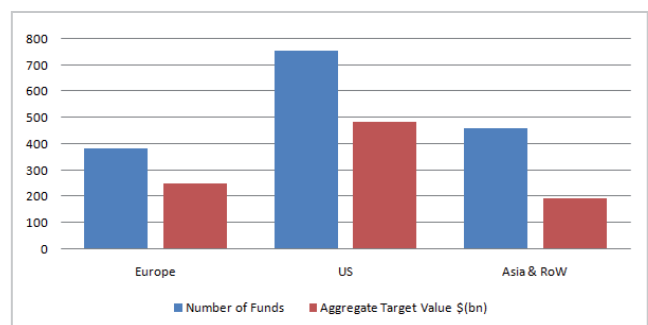
European focused funds account for 27% of the aggregate target sought by all private equity funds currently on the road. There are currently 384 funds in the market with a fund focus on Europe, targeting \$251.8 billion in capital commitments. This represents an increase of 6% from the \$237.6 billion sought by European focused funds during Q2 2008.

At present there are 461 funds on the road focusing on the Asia and Rest of World region, targeting to raise \$195.9 billion in commitments. This represents a 9% increase in aggregate commitments sought and a 7% increase in number of funds in comparison to Q2 2008, when 430 funds on the road focusing on the region sought \$180 billion. Asia

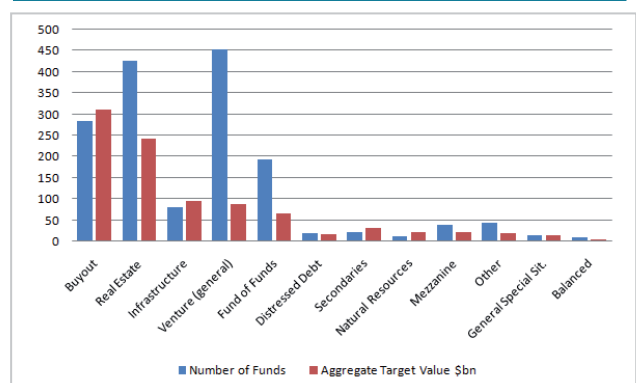
Funds in Market by Quarter



Funds in Market by Region - Q3 2008



Funds in Market by Fund Type - Q3 2008



Global Fundraising Update Q3 2008

Funds in Market

and Rest of World focused funds account for 21% of the total commitments sought by private equity funds currently on the road.

Buyout funds remain the most prominent type of fund in the market, accounting for 33% of total commitments sought. There

are currently 284 buyout funds on the road targeting to raise \$310.4 billion in capital commitments.

There are currently 427 real estate funds on the road, targeting \$242.5 billion in commitments and 19 distressed debt funds targeting \$17.7 billion in capital

commitments.

There are 453 venture funds in the market with an aggregate target size of \$88.4 billion. This represents 10% of the total capital sought by all private equity funds on the road.

Largest Buyout Funds on the Road

Fund	Manager	Target Size (mn)	GP Location
Blackstone Capital Partners VI	Blackstone Group	20,000 USD	US
CVC European Equity Partners V	CVC Capital Partners	11,000 EUR	UK
Apollo Investment Fund VII	Apollo Management	15,000 USD	US
Carlyle Partners V	Carlyle Group	15,000 USD	US
Charterhouse Capital Partners IX	Charterhouse Capital Partners	6,000 EUR	UK
KKR European Fund III	Kohlberg Kravis Roberts	6,000 EUR	US
Candover 2008	Candover Partners	5,000 EUR	UK
Clayton Dubilier & Rice VIII	Clayton Dubilier & Rice	7,500 USD	US
Madison Dearborn Capital Partners VI	Madison Dearborn Partners	7,500 USD	US
Bridgepoint Europe IV	Bridgepoint Capital	4,000 EUR	UK

Largest Venture Funds on the Road

Fund	Manager	Target Size (mn)	GP Location
Cyrt Investments TMT Fund	Cyrt Investments	3,000 EUR	Netherlands
Pine Brook Road Partners I	Pine Brook Road Partners	2,000 USD	US
AgriCapital	Abu Dhabi Investment House	1,000 EUR	United Arab Emirates
ICICI Venture Capital Fund III	ICICI Venture Funds Management	1,500 USD	India
China-Singapore Hi-tech Industrial Investment Fund	China-Singapore Suzhou Industrial Park	1,330 USD	China

Largest Real Estate Funds on the Road

Fund	Manager	Target Size (mn)	GP Location
Morgan Stanley Real Estate Fund VII Global	Morgan Stanley Real Estate	10,000 USD	US
Beacon Capital Strategic Partners VI	Beacon Capital Partners	6,000 USD	US
Fortress Investment Fund VI	Fortress Investment Group - Real Estate	6,000 USD	US
Blackstone Real Estate Partners Europe III	Blackstone Real Estate Advisors	3,000 EUR	US

Global Fundraising Update Q3 2008

Geographic Focus

US focused funds accounted for 67% of the aggregate capital raised globally during Q3 2008, once again demonstrating the continued dominance of the region in the private equity industry. Funds focusing on Asia and Rest of World accounted for 17% of aggregate capital raised globally. European focused funds attracted just 16% of capital commitments globally in Q3 2008.

During Q3 2008, 68 US focused funds garnered \$59 billion in capital commitments, equating to a 45% decrease in aggregate commitments from the \$107.2 billion raised by 111 US focused funds during Q2 2008.

European focused fundraising slowed down significantly during Q3 2008, with 33 European funds attracting \$14 billion in commitments, representing a 72% decrease from the \$51 billion gathered by 56 European focused funds in Q2 2008.

Fundraising in the Asia and Rest of World region also experienced a slowdown, but to a lesser extent than in the US or European regions. 28 funds focusing on Asia and Rest of World garnered \$15.4 billion during Q3 2008, a 30% decrease on the previous quarter, when 48 funds attracted \$22 billion in commitments.

US

Buyout funds focusing on the US attracted \$30.1 billion in commitments across 16 funds during Q3 2008, equating to 51% of the total capital commitments in the region. This figure is largely attributable to the closing of TPG Partners VI, a \$19.8 billion buyout fund managed by US-based TPG, which also considers investments globally.

During Q3 2008, a total of 23 real estate funds garnered \$19.7 billion in commitments, a significant 33% of the total aggregate capital raised by US focused funds.

In addition, 17 venture capital funds raised \$5.5 billion in commitments during Q3 2008, a sizeable 10% of total capital commitments in the region.

Europe

During the third quarter of 2008, 9 European focused buyout funds achieved a final close, raising \$7.3 billion in commitments. This represents 52% of total capital raised in the region during Q3 2008. The largest European focused buyout fund to achieve a final close during this period was Altor Fund III, a €2 billion buyout fund focusing on investments in the Nordic region, managed by Swedish-

based Altor Equity Partners.

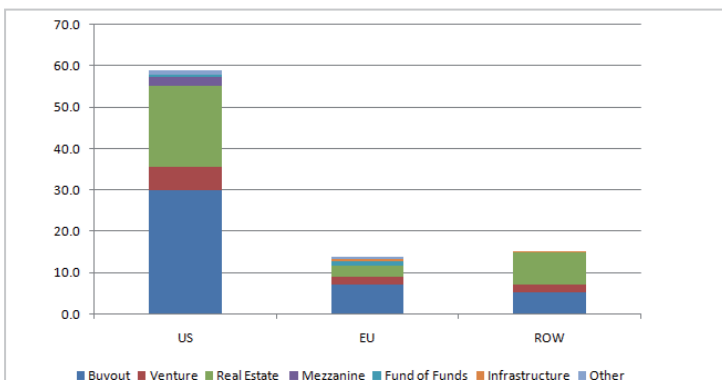
Venture funds contributed 13% of the total aggregate capital raised by European focused funds, with 12 venture funds focusing on the region attracting \$1.8 billion in capital commitments.

Asia and Rest of World

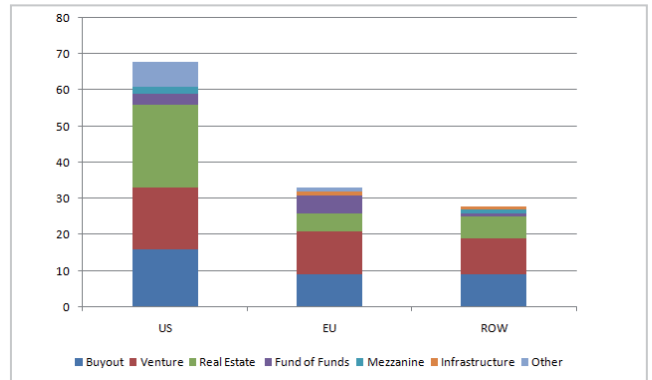
Buyout funds targeting Asia and Rest of World region represented a significant 35% of the total raised in the region, with 9 buyout funds raising \$5.3 billion in capital commitments. The largest of these funds was the \$2.5 billion Hopu USD Master Fund I, a buyout fund managed by Hopu Investment Management, focusing on buying stakes in state-owned Chinese companies.

10 venture funds focusing on the Asia and Rest of World region attracted \$2 billion in commitments during Q3 2008, representing 13% of total commitments for the region. The largest venture fund focusing on Asia and Rest of World to achieve a final close in Q3 2008 was Sequoia India Growth Fund II, a \$725 million fund managed by Sequoia Capital. The fund focuses on investments in late stage companies predominantly in India, but also considers investments in Israel, China and the US.

Regional Focus by Aggregate Capital Raised (\$bn)



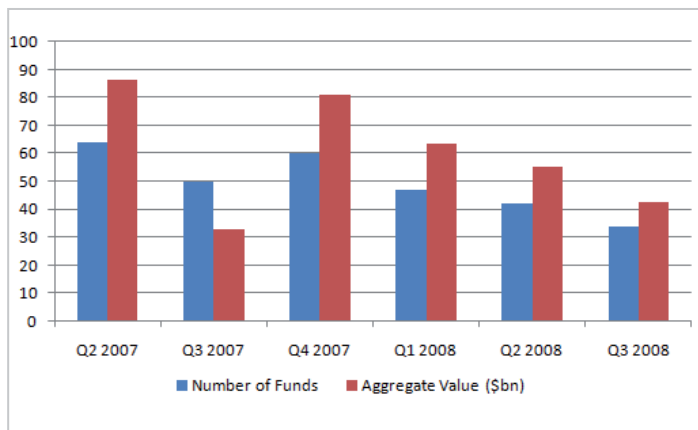
Number of Funds Raised by Regional Focus



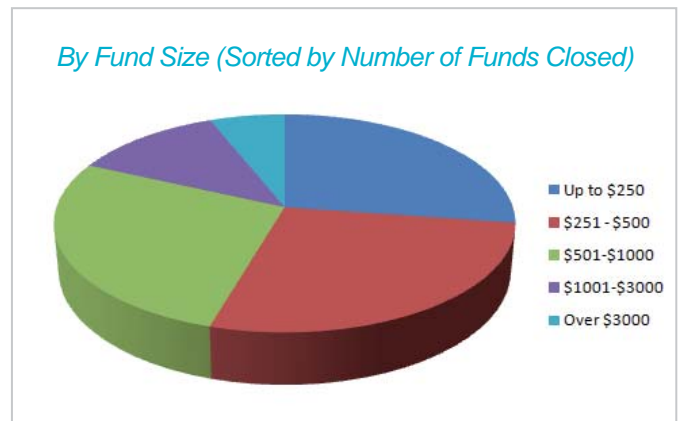
Global Fundraising Update Q3 2008

Buyout

Buyout Fundraising by Quarter Q3 2007 - Q3 2008



Split of Q3 2008 Buyout Fundraising



34 buyout funds raised an aggregate \$42.7 billion during Q3 2008, signaling a further decline in fundraising for buyout funds in comparison to previous quarters. Fundraising for Q3 2008 represents a notable 22% decrease from the \$55.2 billion garnered by 42 buyout funds during Q2 2008. It is interesting to note that while aggregate fundraising for buyout funds has steadily decreased since Q4 2007, fundraising during Q3 2008 was in fact up by 30% when compared to the same quarter during the previous year, where 50 buyout funds raised \$32.9.

the first three quarters of 2008 is comparable to fundraising figures for the first three quarters of the previous year, with only a 5% decrease in aggregate commitments. The number of buyout funds closed during 2007 Q1 to Q3 was 150 funds with \$169.6 billion in aggregate commitments, while during Q1 to Q3 2008, 149 buyout funds closed with \$161.2 billion in commitments. The average size of buyout funds closed in Q3 2008 is \$1.2 billion, an indication that larger funds remain popular with investors, particularly given the closing of TPG's mega buyout fund TPG Partners VI during Q3 2008.

- TPG Partners VI raised \$19.8 billion in capital commitments, exceeding its initial target of \$18 billion. The fund invests across a range of industries with a focus on the technology and telecoms sectors. Investors include California State Teachers' Retirement System (CalPERS), the California State Teachers' Retirement System, and the Retirement System of Rhode Island.
- Altor Fund III closed at €2 billion reaching its target size. Limited Partners include Allianz Private Equity Partners, Alpinvest Partners, and Pantheon Ventures. Fundraising for the fund concluded in August

Capital raised by buyout funds during

2008, with Monument Group acting as placement agent for the fund.

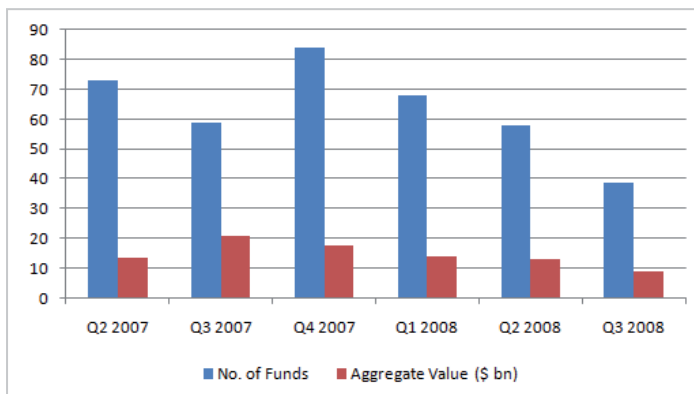
Buyout Funds Closed in Q3 2008

Fund	Manager	Size (mn)	Fund Focus
TPG Partners VI	TPG	19,800 USD	US
Altor Fund III	Altor Equity Partners	2,000 EUR	Europe
Platinum Equity Capital Partners Fund II	Platinum Equity	2,750 USD	US
Hopu USD Master Fund I	Hope Investment Management	2,500 USD	ROW
American Securities Partners V	American Securities Capital Partners	2,300 USD	US
Clyde Blowers Capital Fund II	Clyde Blowers	1,000 EUR	Europe
LLR Equity Partners III	LLR Partners	800 USD	US
Egeria Private Equity Fund III	Egeria	500 EUR	Europe
Brazos Equity Fund III	Brazos Private Equity Partners	700 USD	US
Patria Brazilian Private Equity Fund III	Patria Investimentos	675 USD	ROW

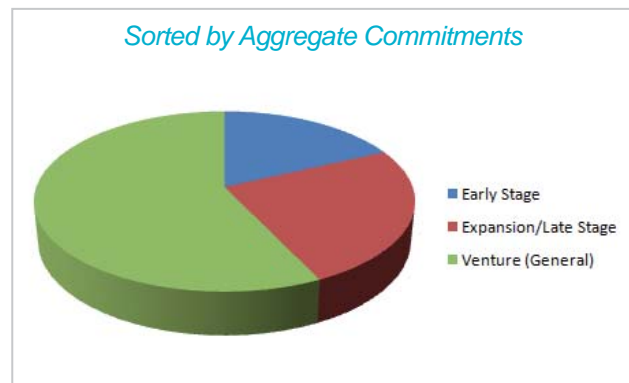
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Venture

Venture Fundraising by Quarter Q2 2007 - Q3



Stage Focus split of Venture funds



Fundraising for venture funds during Q3 2008 has fallen sharply in comparison to previous quarters. During Q3 2008, 39 venture funds raised \$9.3 billion in capital commitments. This represents a 31% drop in aggregate commitments in comparison to the \$13.5 billion raised by 58 funds during Q2 2008. The decrease in fundraising for venture funds is particularly evident when comparing Q3 2008 fundraising figures with those reported during the same quarter in 2007. Fundraising for venture funds during Q3 2008 represents a massive 55% decrease from the amount of capital attracted during the same period of the previous year, when 58 venture funds

raised an aggregate \$20.9 billion.

US focused funds maintained their dominance in the venture capital market with 17 US focused funds closed in Q3 2008, with an aggregate total of \$5.5 billion in commitments. This represents 59% of the total venture capital market during Q3 2008 being attributable to the region. During Q2 2008, 23 US focused venture funds garnered \$5.8 billion in capital commitments, representing a 5% decrease in capital commitments for the region in comparison to Q3 2008.

Fundraising for Asia and Rest of World focused venture funds experienced a

slowdown in comparison to previous quarters. 10 Asia and Rest of World focused venture funds raised \$2 billion in capital commitments during Q3 2008. This represents a 56% decrease from the \$4.6 billion raised by 18 venture funds focusing on the region during Q2 2008. Fundraising for venture funds targeting Europe has also slowed down, with 12 funds raising \$1.8 billion in aggregate capital for Q3 2008. This signals a fall of 41% in comparison to the \$3 billion raised by 17 European focused venture funds during Q2 2008.

57% of all venture funds raised had no specific stage preference, with these vehicles collecting \$7.7 billion in capital commitments. Early stage funds accounted for 18% of the total venture funds raised with \$2.4 billion, whilst expansion and late stage funds together raised \$3.3 billion representing 25% of all venture capital funds in Q3 2008.

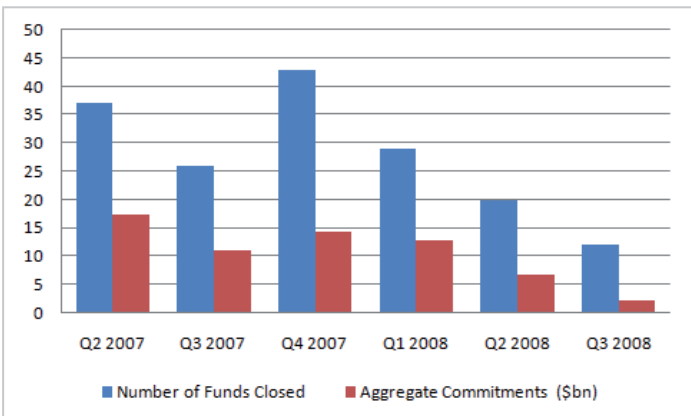
Venture Funds Closed in Q3 2008

Fund	Manager	Size (mn)	Fund Focus
Austin Ventures X	Austin Ventures	900 USD	US
Sequoia India Growth Fund II	Sequoia Capital India	725 USD	ROW
InterWest Partners X	InterWest Partners	650 USD	US
US Venture Partners X	US Venture Partners	625 USD	US
Cowen Healthcare Royalty Partners	Cowen and Company	500 USD	US
Versant Ventures IV	Versant Ventures	500 USD	US
NIBC Merchant Bank Fund 1A	NIBC Institutional Investment Management	300 EUR	Europe
LC Fund IV	Legend Capital Management	400 USD	ROW
Mayfield XIII	Mayfield Fund	395 USD	US
Paladin Homeland Security Fund II	Paladin Capital Group	340 USD	US

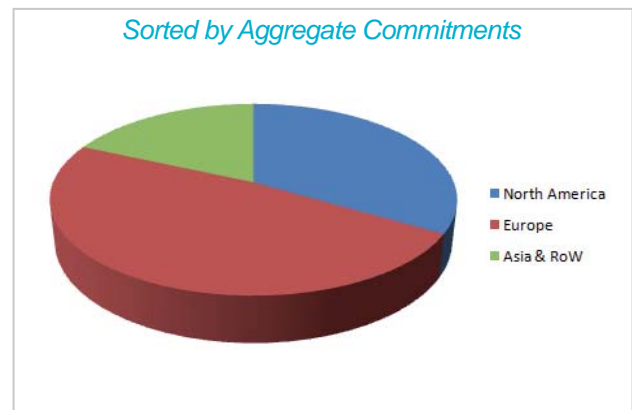
Global Fundraising Update Q3 2008

Fund of Funds

FoF Fundraising by Quarter: Q2 2007 - Q3 2008



Geographic Split of Fund of Funds



Fund of funds fundraising continued its downward trend in Q3 2008, with 12 final closes during the quarter representing aggregate commitments of USD 2.2 billion. This equates to a drop of 67% from the previous quarter, and a fall of around 80% in commitments made to fund of funds compared to the same quarter last year.

More than 18% of commitments garnered to fund of funds closed in Q3 2008 were to vehicles with a primary focus on Asia & Rest of World, a large increase from previous periods, perhaps reflecting investor sentiment about the prospects for growth in Asia & Rest of World compared to North America and Europe. A high proportion of vehicles focused on North America and Europe also have smaller allocations to funds based in Asia & Rest of World. One vehicle focused specifically on Asia that

recently closed is SVG Asia Fund of Funds, having raised a total of USD 200 million, exceeding its original USD 150 million target. This vehicle has already invested in funds from across the region, including Actis Emerging Markets 3 (Actis India Fund 3), Affinity Asia Pacific Fund III, CVC Capital Partners Asia Pacific III and Navis Asia Fund V.

Another fund to close recently was F&C European Capital Partners. One LP that committed to the fund is Friends Provident. This vehicle focuses on European mid-market buyout and mezzanine funds. Over the course of its investment period, it plans to allocate approximately 70% of its capital to buyout funds and 30% to mezzanine funds. Up to 30% of capital may be used for co-investments. Purchases of fund interests on the secondary market may be made, although there is no predefined

allocation for this. In total, the vehicle will make 20 to 30 fund investments and 10 to 15 co-investments. Funds that the vehicle has already invested in include Lyceum Capital II and Magnum Capital.

Camden Private Capital III held its final close at the end of July 2008 on USD 87 million. Its primary focus is the US, but it also invests in European-based funds. Within its European investments, which overall will account for up to 30% of the portfolio, it focuses on buyout funds. In the US, as well as buyout funds it also invests in venture and special situations funds. Overall, the vehicle will invest in 15-20 funds and also has the capacity to make direct investments. Funds that it has already invested in include HKW Capital Partners III, Montreux Equity Partners IV, Natural Gas Partners IX and Vitruvian Investment Partnership I.

Fund of Funds Closed in Q3 2008

Fund	Manager	Close Amount (mn)	Fund Focus
Northern Trust Private Equity Fund III	Northern Trust Global Advisors	360 USD	US
F&C European Capital Partners	F&C Asset Management	173 EUR	Europe
SVG Asia Fund of Funds	SVG Advisers	200 USD	Asia & ROW
Mount Yale Private Equity Fund	Mount Yale Capital Group	182 USD	US
Camden Private Capital III	Camden Partners	87 USD	US
Parvilla I	Parvilla	37 EUR	Europe

Global Fundraising Update Q3 2008

Other Fund Types

The largest mezzanine fund to close during Q3 2008 was GSO Capital Opportunities Fund, a \$2 billion fund managed by US-based Blackstone Group, with a focus on providing junior capital to firms in connection with leveraged buyouts, growth financing, recapitalisations and acquisitions. The fund exceeded its target of \$1.5 billion, with investors in the fund including CalPERS, Sentry Insurance and New Jersey State Investment Council.

During Q3 2008, the largest distressed debt fund to achieve a final close was American Securities Opportunities Fund, a \$300 million fund focusing on investments in public or private

companies experiencing operating or financial stress. The fund is managed by US-based American Securities Capital Partners, and will focus on investments in North America.

Creo Capital Partners II, a turnaround fund focusing on investments in the US, reached a final close during Q3 2008, garnering commitments of \$162 million. The fund is managed by US-based Creo Capital Partners, and focuses on investments in manufacturing and food industries.

Lucas Energy Ventures III, an energy fund focusing on investments in North American oil and gas assets, achieved

a final close during Q3 2008, gathering commitments of \$130 million. The fund is managed by Lucas Capital, and seeks to invest between \$10 and \$20 million per portfolio company.

Other Funds Closed in Q3 2008

Fund	Manager	Fund Type	Size (mn)	Fund Focus
GSO Capital Opportunities Fund	Blackstone Group	Mezzanine	2,000 USD	US
American Securities Opportunities Fund	American Securities Capital Partners	Distressed Debt	300 USD	US
Battery Ventures VIIIb	Battery Ventures	Co-investment	250 USD	US
Creo Capital Partners II	Creo Capital Partners	Turnaround	162 USD	US
Lucas Energy Ventures III	Lucas Capital	Natural Resources	130 USD	US