Q2 2012 JULY 2012

The Preqin Quarterly

Private Equity

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

Content Includes....

Performance Update

Keep up to date with the latest private equity performance figures.

Appetite for Private Equity of LPs in Different Regions

Preqin has conducted detailed studies of LPs' interest in the asset class. See some of the key findings inside.

Latest Fundraising Figures

Fundraising activity remained relatively steady compared to previous quarters; we take a look at the latest developments in more detail.

Deals

How have the buyout and venture capital deals markets looked over the last quarter?

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Q2 Special Guest Contributors: David Chamberlain, Capstone Partners and David Abrams, Apollo European Principal Finance Fund

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Editor's Note

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

Over Q2 we've seen a continuation of the challenging private equity fundraising conditions that have prevailed over the past few years; however, there have been some positive signs of increasing momentum in the market. A number of mega-sized funds closed in April-June 2012, including Green Equity Investors IV on $6.25bn, American Securities Partners VI on $3.6bn and AXA Secondary Fund V on $7.1bn. In addition, as detailed on page 17, we anticipate that fundraising levels will soon be boosted by the return to market of several prominent large and mega-sized funds.

We are pleased to include two interviews this quarter. In the first, David Chamberlain of Capstone Partners gives his perspective on the current fundraising market. David Abrams, managing partner and co-founder of Apollo Global Management's Apollo European Principal Finance Fund, discusses the distressed private equity sector in the second interview, exploring investor sentiment for distressed investments, the challenges faced by distressed GPs coming to market, and the opportunities presented by the distressed space in Europe.

For the first time, this edition contains analysis of the venture capital deals market (page 20) taken from our new Venture Deals Analyst online service. With several high profile deals and exits in Q2, including the much publicized IPO of Facebook, now is the perfect time to take a look at the VC space. In addition to this new data, we also provide our regular round-up of the private equity-backed buyout deal and exit markets on page 18.

The Q2 2012 edition of the Preqin Quarterly contains a host of data that provides a preview of what makes Preqin the alternatives industry's leading source of data and intelligence. All of the data found within this report comes exclusively from our various online products and publications, which offer profiles, analysis and data on firms, funds, investors, consultants, service providers and more. We believe that it is important for our 9,000+ clients to receive only the most up-to-date and accurate intelligence, and therefore we ensure that our work is based upon direct contact with industry professionals based all over the world.

We hope that you find this report to be interesting and useful, and as ever we welcome any feedback or suggestions that you may have. To find out more about our products and services, please do not hesitate to contact us at our New York, London or Singapore offices.

Helen Kenyon, Editor

Interview with David Chamberlain
Capstone Partners

From your position as a placement agent, what is your perspective on the current fundraising market?

David Chamberlain: Based on statistics over the last few years, fundraising would appear to be in decline. However, as a placement agent, we have probably never been busier. How to explain this apparent contradiction? Firstly, I believe that, in general, investors have had capital to invest and continue to have allocations to private equity. Certainly some investors have withdrawn from the market and others have reduced their allocations. But many remain positive about the asset class, have increased the allocations for 2012-13 and have been joined by new entrants from around the world. So I don't think the disappointing statistics have been driven by a lack of investor capital. Rather the apparent decline in fundraising is influenced by the size of funds in market and the dates of final closing. Since 2008, many of the larger funds, particularly pan-European funds, have been out of the market. In their place, we've had much smaller funds looking to raise capital but whose impact on aggregate values has been significantly less. At the same time, we have seen the time-line to final close being extended. Since the statistics reflect only final closes, the push back in closing dates has had a negative impact on perceived activity. Today, there are approximately 1,900 funds in market, including many of the larger funds which have had successful initial closes. As we move forward towards the end of the year and into early 2013 we, therefore, expect to see a steady pickup in the statistical fundraising data, reflecting the true state of the fundraising market.

There has been a lot of uncertainty in wider financial markets at the moment – how is this affecting fundraising for private equity?

DC: There are three key factors that are affecting investor attitudes at the moment, particularly investors in North America. Firstly, there are concerns regarding the level of government indebtedness; secondly, there are the likely consequences arising from fiscal and budgetary constraints which will impact economic growth; and finally there is the euro issue and the resulting currency risk for investors outside Europe. Investors are right to be asking questions about the impact on private equity – particularly in Europe. Even firms with great track records, established teams and successful strategies are being challenged by investors. And this will continue for some time, particularly until we see clear signs of a resolution to the economic and political issues in Europe. Interestingly, we do not see the same concerns from LPs regarding US funds despite the macro challenges in the American economy.

We have seen greater numbers of LPs now open to the possibility of emerging market investments. What do you believe is causing this?

DC: In recent years, we have seen a growing maturity of investment portfolios. An increasing number of investors have built out their portfolios in the US and Europe and so are naturally turning to other markets for diversification. Many LPs are also keen to tap into the strong growth that is available in emerging market economies – particularly China. This search for growth from the emerging markets is expected to lead to higher returns. So, as with other asset classes, private equity investors are turning to emerging markets for increased diversification and alpha. The problem with emerging markets is that it is difficult for many LPs to access good funds and to carry out due diligence. Without an experienced, on-the-ground team, it is difficult to work your way through the many emerging markets funds out there. As a result, we have seen quite a pickup in interest for fund of funds groups or institutional advisors that have a presence in these key new markets. This may change as fund investors become more familiar with the manager landscape in the emerging markets, but this will take time.

What about the future for emerging markets-focused private equity investment?

DC: It is an interesting market and the market of the future, but the environment will likely change in coming years. Accidents may happen along the way and performance will fluctuate, so investors will tread carefully. They will want to assess the performance and distributions of the funds in which they have already invested. Two possible concerns for investors are declining growth rates in Asia (and China in particular), and the fact that many funds that have come to market from Asia have been small, often venture related or driven by pre-IPO strategies. These funds have had appeal while markets have been hot, but are they what LPs want to pursue in the long term? We will see. Investors may look increasingly for managers who can demonstrate value-add in their portfolio companies.

Many LPs seem to be focusing on a reduced number of GP relationships. Is this because investors are trying to forge stronger, longer-lasting relationships with fund managers or is it more reflective of the lack of capital to spread around?

DC: We have certainly seen this - it is another sign of a maturing market. When you have a mature market with mature portfolios, investors have the luxury of selecting the best performing managers and focusing more capital on that smaller pool of GPs. Another sign of this maturity is that LPs now look to deploy capital in different ways to boost returns – for example the growing trend of co-investments. This shift is facilitated by the emergence of an active secondary market. In the 1990s, the secondary market was much more opportunistic and not particularly well structured, but today we have an extremely active market that allows LPs to find liquidity, to scale down their portfolios and focus on the strategies / managers that they prefer. A further cause of this downscaling is that larger US pension funds have experienced staff turnover and are now looking at more efficient methods of managing their capital. It is quite inefficient for a small staff to manage investments in over 80+ private equity managers.

How can GPs stand out in the current fundraising environment?

DC: At Capstone we work with the simple belief that a good fund, properly presented to the market, always raises capital. Investors are looking for a clear competitive edge that will translate into superior absolute or risk adjusted performance. Performance over the long term is always the key concern and any firm that effectively communicates great returns will continue to raise money from investors.

Are fund terms and conditions also a part of standing out in market?

DC: While this is part of it, you are not going to raise capital successfully purely on the basis of fund terms. There is certainly pressure from LPs and there have been significant changes in terms and conditions across the whole private equity landscape, but this is an on-going process. Changing regulations may also provide an additional source of pressure on fund terms and structures going forwards. These changes should be beneficial for the longer term interests of investors and the industry as a whole.

Are bigger PE firms in a better position to raise capital due to their established LP bases and branding?

DC: Being a large manager is not a guarantee that you can go out into market and successfully raise capital. Performance has to be superior on a relative basis compared to other large firms. However, the bigger private equity firms do have the luxury of attracting substantial commitments from the large US public pension plans and sovereign wealth funds. Again, it's a question of capital efficiency. Larger investors – and particularly those in the US – cannot continue to run very large/diverse portfolios of private equity investments and are, therefore, forced to make very significant commitments to very large funds.

Are things substantially different from the 'boom period' of private equity for placement agents?

DC: Despite the decline in the fundraising market from the "boom period" of 2006-2007, great opportunities are still there, particularly in emerging economies. I am optimistic about the number of LPs who continue to be active in private equity, the emergence of new strategies, and the quality new firms that are coming to market. The fundraising market is going to continue to be interesting, attractive, but challenging. The space is very crowded at the moment and, of the approximate 1,900 funds currently on the road, there are many that need professional help in their fundraising efforts. Consequently, the opportunity set for placement agents is very large. However, it is critical that placement agents build experienced, high quality and stable teams capable of serving their GP clients over the long term. This is something that we strive for at Capstone.

David Chamberlain established Capstone's European operations in 2004 and is responsible for fundraising and origination in the United Kingdom. He also oversees business development with new clients within Europe. David has over 25 years of experience in private equity and financial management. David spent 16 years with Unigestion, a leading European alternative asset management firm. As Managing Director, he built one of Europe's foremost private equity fund management businesses, exploiting all facets of the primary and secondary markets. He has also worked in investment and financial management with the Continental Grain Group and Deloitte Haskins & Sells in London and Paris. David has a degree in business & accountancy from the City of London Business School and is a qualified Chartered Accountant.

Interview with David Abrams

Managing Partner & Co-Founder, Apollo European Principal Finance Fund

Preqin data shows that distressed private equity is currently the top performing private equity strategy. Have you found that LP appetite reflects the strong returns potential?

David Abrams: Investors are certainly looking for alternatives to traditional private equity and have increasingly become more focused on the attractive risk-adjusted returns that can be achieved in distressed. However, distressed debt is a very broad category and while there are a lot of strategies that focus on more liquid markets such as the US where investors generally have more experience, we are now seeing LPs with specific mandates to invest in Europe. Investors are starting to distinguish between global distressed managers and more specialized offerings, choosing to allocate capital towards dedicated European funds. A lot of institutions successfully invested in US distressed in 2008 and 2009, which resulted in an underweighting to Europe. The focus is now on finding the next best opportunity, which we believe is Europe.

What do you feel are the biggest challenges facing managers of distressed private equity funds coming to market with funds right now?

DA: The biggest challenge facing GPs is their ability to distinguish themselves among other GPs that are raising money. There is confusion within the LP community, because they hear from a significant number of GPs that operate general or multi-strategy global distressed funds that there isn't much happening in Europe, whereas dedicated European funds such as ours are saying the opposite. The LP's challenge is to determine who is right and this is the biggest issue at the moment as it is difficult to make an informed decision. We only focus on Europe, so it is easier for us to articulate what is happening in the market.

Some GPs have gone on record to say that while there is an abundance of distressed opportunities at present – particularly in Europe – there is a frustrating lack of capital available to make deals. Has the expected flood of investment opportunities been realized yet? Or is it a case of a slow and steady drip?

DA: A lot of people compare today's opportunities with the situation in the US in 2008-2009. At that time it was more obvious as to what the opportunities were because you had market dislocation, forced selling by leveraged vehicles, hedge funds etc., and a very visible supply of assets being actively sold by investment banks. This was all very public, talked about on the front pages of newspapers and consequently people were aware of what was going on. Europe is different - people don't like to air their 'dirty laundry' in public. An IMF report or a KPMG report may say that there are several trillion in European assets to be sold in the coming years, but many such transactions will be executed on a bi-lateral basis and not disclosed publically.

Another reason why it may seem like there is not a great deal of activity to an outsider is the differences in the types of assets being sold. When you have liquid assets, transactions happen very quickly. Prices drop, you can buy, and you can rapidly deploy capital. In Europe, it takes a long time for the process to work its way through. For example, many Spanish banks have increasing amounts of non-performing loans. Most of these institutions have done little to address their problems thus far, but this does not mean that it's never going to happen. Some LPs got used to the instant gratification of the more liquid markets in the US, and forgot that the process of banks cleaning up their balance sheets can take 7-10 years. Our experience tells us that we have to be patient. The size and the depth of this 'crisis' means that there was a lot of inactivity for a long time, but today is essentially the beginning of the European bank deleveraging process, not 2007. The EU is the largest economy in the world and the problems are significant – we are confident there will be plenty of opportunities for GPs.

Are LPs aware of this need for patience?

DA: We believe that we have a good understanding of the challenges facing the European financial system, and this is what we seek to communicate to LPs. The evidence of the market opportunity is the assets that we've already purchased. The 'floodgates' haven't opened, but I don't anticipate that this will happen. The only solution to the problems in Europe is time. If you are focused on the immediacy of trading assets then you're not going to capitalize on the opportunities in Europe. If you have patient capital, and you're committed over a longer-term horizon, we believe you will be rewarded. A large number of LPs had exposure to the liquid distressed opportunities in the US in 2008-2009 and became used to that type of market which some people erroneously compare to Europe.

Given the fact that many European banks are still in the process of resolving their balance sheet issues, how do you see this impacting deal flow in the near future? Are you concerned about further government intervention?

DA: We don't see further government intervention causing a problem with deal flow in Europe. There are banks that "have to sell", those that "need to sell" and those that "want to sell" assets. I believe that the following external catalysts will drive the sales of assets:

1. The banks that “have to sell” are the institutions that have received capital state aid bail outs. These banks have publically announced that they are selling assets to repay the equity capital they have received. It would be very difficult to stop this process as it is governed by the European Competition Commission, not sovereign regulators. The liquidation of these assets will happen over the next 3-5 years.
2. The banks that “need to sell” are the institutions that essentially have capital issues. The problem with distressed assets for banks is that they are very punitive. Non-performing loans have the highest risk weighting, forcing banks to hold more capital in reserve against owning these loans. This capital cannot be counted as equity. European governments have already enforced even higher capital standards than the new Basel III regulations that are being phased in, which is forcing banks to hold more equity capital. One of the best ways to increase your capital ratios is to sell off non-performing loans.
3. The banks that “want to sell” include institutions that have excess capital and are profitable. They still own significant amounts of orphan, legacy and subscale assets that are strewn all over Europe. European banks became involved in a variety of different markets and asset classes and are now reconsidering this strategy as it may not be the best business model for them in the current market environment. As a result they are trying to dispose of these assets - a bank that has surplus capital can afford to take a loss on such a sale. Non-European banks are also selling off these assets because they are constantly under pressure to justify their exposure to Europe. Often it is simply easier for them to get out of the markets altogether.

New regulations and legislation may change a bank’s near-term outlook, but it won’t fundamentally impact what is on their balance sheet and at some point these problems have to be dealt with.

It is tempting to view Europe as a homogenous market; however this does not account for the significant differences across jurisdictions/borders. What specific geographies do you think are particularly enticing for distressed private equity investment at the moment?

DA: Investors outside of Europe often view Europe as a collective entity, but across borders the markets, processes and risks are quite different. Most investors hear Greece, Italy, Portugal, Ireland and Spain and get queasy. They’ve been programmed to think like that – they believe that these are problem countries so why risk capital there? We believe there are opportunities there and we seek to capitalize on them. For example, even within Spain there are lots of different types of distressed opportunities. There is a massive residential real estate problem, which is completely uncorrelated to the consumer market. We choose to distinguish between asset specific problems and country specific problems. We find our best opportunities in certain asset classes exist in countries where many investors do not want to go, often capitalizing on the fact that some of the sellers are selling for non-economic reasons.

Many investors prefer the UK at the moment, because they speak English and are confident of the country’s rule of law and creditors’ rights. On a risk-adjusted return basis more people would rather have capital in the UK than anywhere else in Europe. Germany is probably the second most popular market and many investors do have historical experience there. This does not mean that there are not opportunities along the periphery. For example, the Netherlands is probably one of the most difficult commercial real estate markets in Europe due to the oversupply of office space. However, the commercial real estate market problems are different from the consumer market issues so many GPs have avoided investing in the country altogether.

Distressed private equity strategies are often viewed opportunistically by investors – with interest rising dramatically in times of economic downturn. If distressed investment is a cyclical business, do you feel the strategy can work in institutions’ investment portfolios outside of these crisis periods? How key is timing?

DA: I do not necessarily view distressed investing as a cyclical business. There are certain times where you can create better returns without taking additional risk, but I believe today’s environment offers compelling risk-adjusted returns. There will always be a vibrant distressed market, even in periods of growth – every bank in the world makes bad loans and every bank in the world sells bad loans. There is always a reason why a building becomes vacant or a reason why someone defaults. The scale may not always be as big, but if you’re committed to investing in the asset class, we believe you can create good opportunities over a period of time.

For GPs that do not have a dedicated pool of capital for distressed investments, the market can appear cyclical because investors will move their capital in and out of distressed depending on conditions in the equity markets. For dedicated distressed funds, there are always opportunities if you are consistently focused. It may not be the same type of liquid assets, or the same geographies, but distressed as an asset class has a history of creating solid returns over a long period of time.

Mr. Abrams co-founded the European Principal Finance Fund (EPF) and has been EPF’s Managing Partner since he joined Apollo Global Management in 2007. Apollo is a leading global alternative investment manager with offices in New York, Los Angeles, Houston, London, Frankfurt, Luxembourg, Singapore, Mumbai and Hong Kong.

Appetite for Private Equity of Investors in Different Regions

Preqin's Investor Intelligence currently tracks 4,327 investors actively investing in private equity funds. These institutions are broadly diversified by type and geographical location. Fifty-four percent are based in North America, 28% in Europe, and 18% in other parts of the world. North American LPs account for the highest proportion of capital invested in private equity funds as of January 2012 (see Fig. 1), representing 56% of the total capital invested in the asset class. LPs based in Europe account for 34% of invested capital, while Asia and Rest of World-based investors account for 10%. As Fig. 1 shows, the proportion invested by Asia and Rest of World-based LPs has slightly increased since June 2008, when the figure stood at 8%, an indication of the increasing appetite of Asia and Rest of World-based LPs for private equity investments.

Private Equity Exposure

LPs based in different parts of the world have varying levels of exposure to private equity. On average, North America-based institutional investors have a target allocation to private equity of 10% of total assets, compared to 7% for Europe-based LPs and 9% for investors located elsewhere in the world.

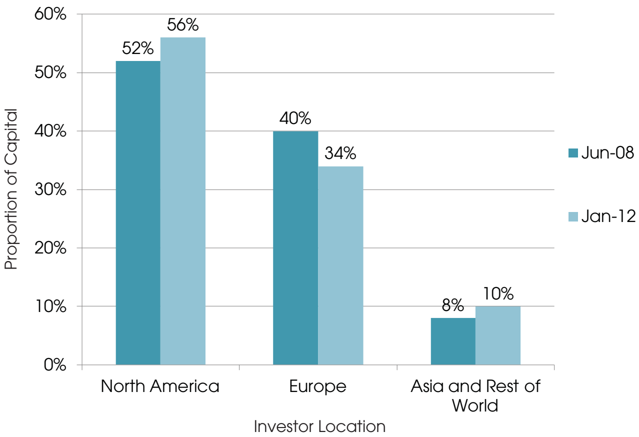
Preqin recently interviewed 100 institutional investors from around the world, selected from the Investor Intelligence database, to assess their current level of exposure to private equity, and to establish their appetite for the asset class going forward. This found that current allocation levels, relative to target allocations, of LPs in different regions are varied (Fig. 2). Forty-five percent of North American LPs are below their target allocations, suggesting that these investors are likely to continue making new commitments to private equity funds as they look to build their allocations. Twenty-five percent of Europe-based investors are currently below their target allocations, while 37% of Asia and Rest of World-based investors are in a similar position.

Investor Appetite for Different Regions

Forty-seven percent of the investors we spoke to made new fund commitments during H1 2012. Fifty-six percent plan to make their next commitment before the end of the year (45%) or in 2013 (11%). Additionally, a significant 32% of LPs are approaching new investments on an opportunistic basis and therefore may invest in this timeframe should an appealing opportunity arise.

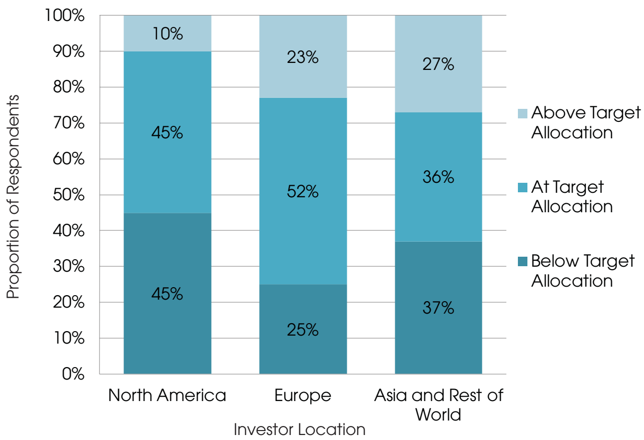
Unsurprisingly, the highest proportion of investors based in each of North America, Europe, and Asia and Rest of World named their own respective regions as presenting attractive opportunities in the current market (see Fig. 3). However, just a third of European LPs view Europe as presenting attractive opportunities, and the region was named by the lowest

Fig. 1: Proportion of Capital Invested in Private Equity by Investor Location



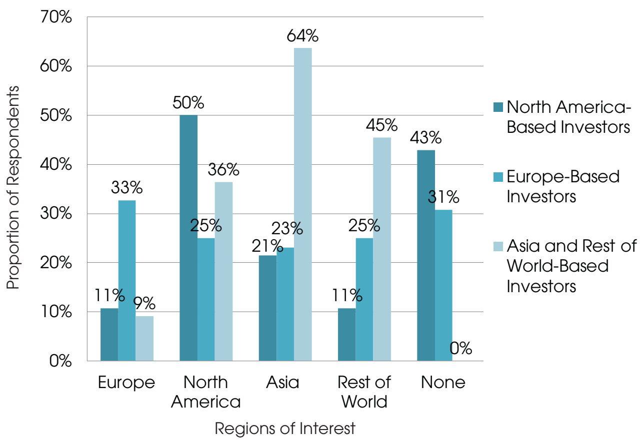
Source: 2012 Preqin Limited Partner Universe

Fig. 2: Proportion of Investors Currently At, Above or Below Their Target Allocations to Private Equity, Split by LP Location



Source: Preqin Investor Outlook: Private Equity, H2 2012

Fig. 3: Regions Investors View as Presenting Attractive Opportunities in the Current Market, Split by LP Location



Source: Preqin Investor Outlook: Private Equity, H2 2012 proportion of North America-based (10%) and Asia and Rest of World-based (9%) LPs. Despite this, some investors still feel the region offers attractive opportunities, including one US endowment that commented: "Despite the financial crisis, Europe is presenting some strong investment opportunities if the manager has a strong long-term strategy."

A number of investors have been deterred from investing in certain regions within Europe as a result of recent problems in the eurozone, but see others as appealing; one German bank told us it currently seeks opportunities in Eastern Europe but is avoiding Western Europe at this time. It is worth noting that a substantial 32% of Europe-based LPs said they would avoid investing in opportunities in Europe, though they previously would have invested there, compared to 14% and 11% of North America-based and Asia and Rest of World-based investors respectively (Fig. 4). This demonstrates that the outlook of investors based in Europe has been more adversely affected by the problems in the eurozone than LPs based in other regions.

Challenges Facing Investors in Different Regions and Outlook for Investment

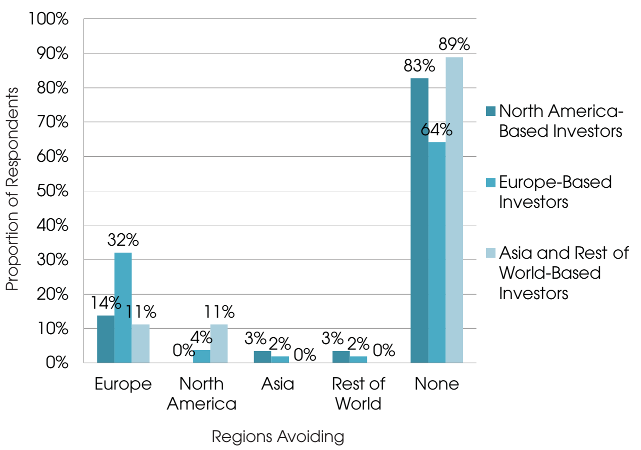
Many investors' private equity investment plans have been affected by volatility in wider financial markets over recent years. The challenging climate has also restricted the number of attractive private equity deal and exit opportunities in the market. Many investors have also noted that accessing the best managers is a challenge they are facing when seeking to operate an effective private equity program.

While many of these challenges are universal among investors, LPs based different regions face different challenges when investing in private equity. A Finnish insurance company commented: "The financial climate in Europe, the sovereign debt crisis and changes in regulations have all made it a difficult environment to invest in."

Many Europe-based investors noted that the regulatory environment is impacting upon their ability to access the asset class. An Austrian bank, for example, commented that "regulations which restrict international investment activity" constitute the biggest obstacle it is facing when seeking to operate an effective private equity program in the current market. This was an issue raised by many of the Europe-based investors that we spoke to.

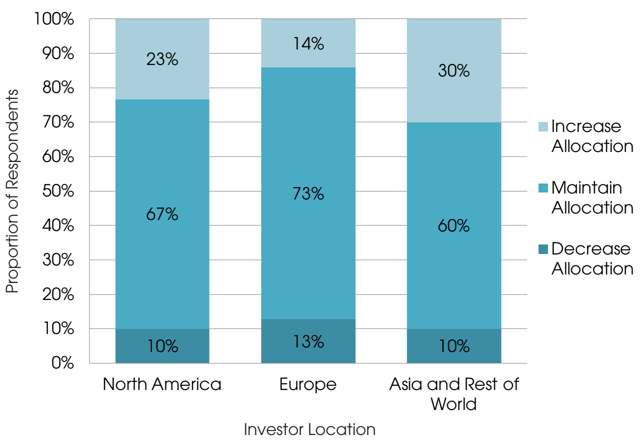
New regulations are limiting the exposure to private equity that certain types of institution can have. Solvency II and the Volcker Rule, for example, restrict the private equity exposure of European insurance companies and US banks respectively. Conversely, institutions based in other regions have had restrictions on their investments eased. Brazilian pension funds are now able to allocate up to 20% of their total assets to structured vehicles such as private equity funds, half of which can be allocated to international vehicles. South African pension funds can now allocate up to 10% of total assets to private equity opportunities, compared to 2.5% previously, and

Fig. 4: Regions Investors Are Avoiding in the Current Financial Climate, Split by LP Location



Source: 2012 Preqin Limited Partner Universe

Fig. 5: Investors' Intentions for Their Private Equity Allocations over the Next 12 Months, Split by LP Location



Source: 2012 Preqin Limited Partner Universe

China has also witnessed an easing of regulations regarding private equity investments recently, with the Chinese authorities actively promoting fundraising and investment in the country. Furthermore, it is likely that we will continue to see restrictions lighten for many LPs based in emerging regions; an insurance company we spoke to based in Nigeria told us: "We are only permitted to invest in Africa [at present], but hope to invest internationally in future."

The majority of investors based in all regions remain positive about private equity, with many planning to increase their allocations to the asset class over the next 12 months. One LP based in Austria expects to commit more capital to private equity over 2012 than it did in 2011, telling us: "We have been reluctant [to make new commitments] since 2009 and now want to commit more capital." As Fig. 5 illustrates, the vast majority of investors in all regions intend to increase or maintain their private equity allocations over the next 12 months.

Fundraising Overview

During Q2 2012, 132 private equity funds held final closes worldwide, raising an aggregate $65.3bn, as shown in Fig. 6. This is a slight decrease in both number of funds closed and aggregate capital raised from the previous quarter, when 167 funds collected a total of $68.1bn in capital commitments. Despite this, it is evident that fund managers are still able to attract significant amounts of capital from investors; in Q2 2012, 14 funds held a final close on at least $1bn. The largest fund to close in Q2 2012, AXA Secondary Fund V, collected $7.1bn in aggregate capital commitments from investors.

Fig. 7 displays the length of time that funds which closed in Q2 2012 spent fundraising, and shows that the majority of funds which reached a final close in the quarter had been in the market for 13 to 18 months. Only 29% of funds that closed in the second quarter of 2012 managed to conclude their fundraising in under a year. For the funds that closed in Q2 2012, the average length of time they spent on the road was 17.1 months. This is significantly longer than in the previous quarter; the average length of time spent on the road for a fund closed in Q1 2012 was just 16.6 months.

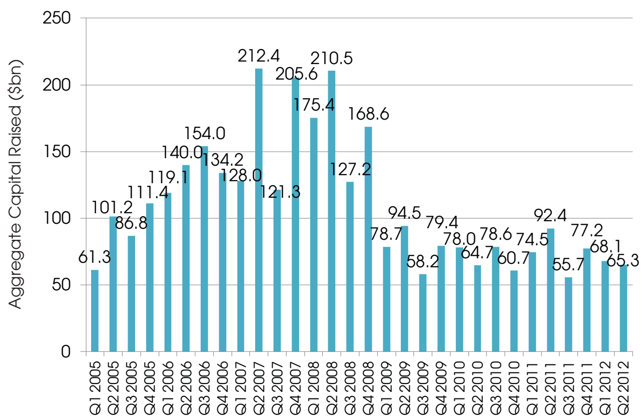
During the quarter, 145 funds in market held interim closes, and so far have accumulated an aggregate $64.7bn in capital towards their overall targets.

As shown in Fig. 8, buyout vehicles raised the most capital in Q2 2012; $24.9bn was collected by 25 buyout funds. This is significantly more than the previous quarter, when 22 buyout funds raised $16.4bn, representing a 52% increase in buyout capital raised. The second largest amount of capital raised in the period by a single fund type was the $8.8bn raised by six natural resources funds; four out of six of these funds raised over $1bn each. This was followed by real estate funds, which raised $8.0bn in Q2 2012 across 26 funds. Venture capital was the most abundant fund type in terms of funds to close in Q2 2012, with 32 venture capital funds holding a final close, raising $4.7bn.

Preqin's Funds in Market online service allows users to quickly see live overviews of funds currently on the road and historical funds closed. For more information, please visit:

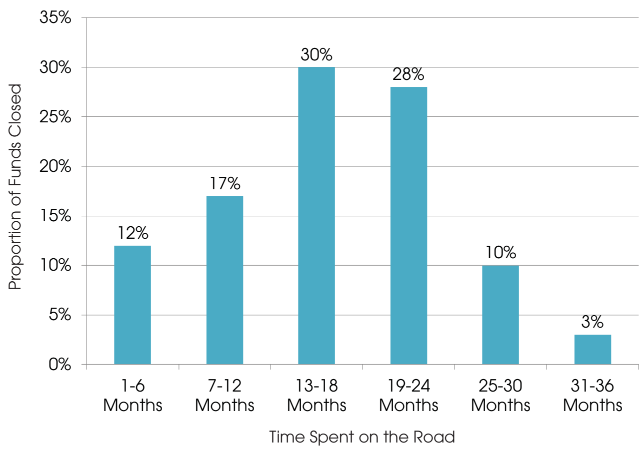
www.preqin.com/fim

Fig. 6: All Private Equity Fundraising by Quarter, Q1 2005 - Q2 2012



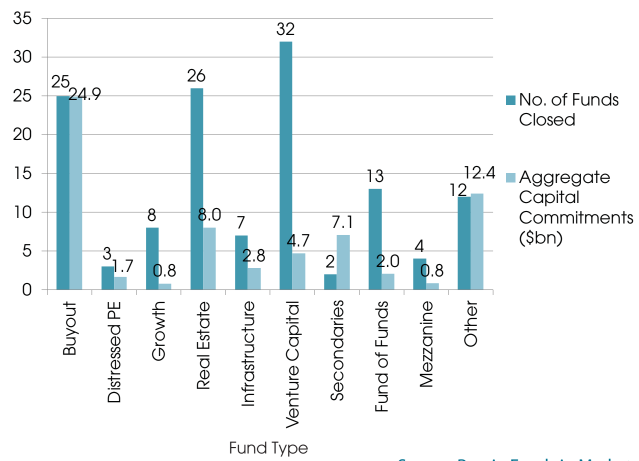
Source: Preqin Funds in Market

Fig. 7: Time Spent on the Road for Funds Closed in Q2 2012



Source: Preqin Funds in Market

Fig. 8: Private Equity Fundraising by Type, Q2 2012



Source: Preqin Funds in Market

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Regional Fundraising

Out of the 132 private equity funds that closed during Q2 2012, 51% are primarily focused on investment opportunities in North America. These vehicles accounted for almost 60% of the aggregate capital raised by all funds closed in the second quarter of 2012. Twenty-six percent of funds that reached a final close during the quarter are predominantly Asia and Rest of World-focused vehicles, while the remaining 23% are mainly focused on making investments in Europe. In terms of capital raised, Europe-focused funds collected 27% of the aggregate commitments made during the quarter, compared to 14% by Asia and Rest of World-focused vehicles.

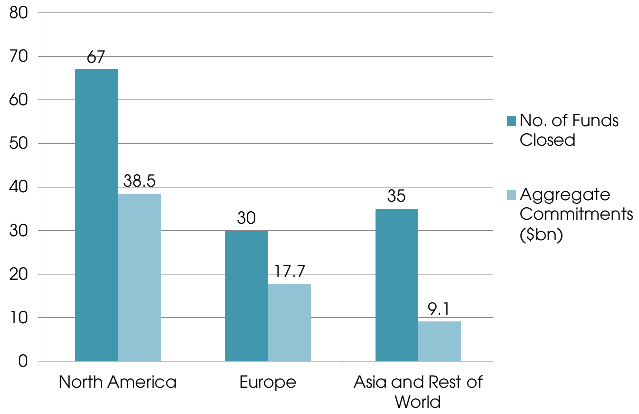
Fig. 9 shows that a total of 67 primarily North America-focused vehicles completed their fundraising efforts in Q2 2012, raising $38.5bn in the process. This is a significant decrease from the 89 such funds that closed during Q1 2012, yet the amount of capital raised in Q1 was at similar levels ($38.7bn). The largest North America-focused fund to hold a final close during Q2 2012 was Green Equity Investors VI, which attracted a total of $6.25bn in capital commitments.

The number of Europe-focused funds to close during Q2 2012 increased by one against Q1 2012, with 30 funds holding a final close this quarter compared to 29 funds during the first quarter of the year. The amount of capital attracted by Europe-focused funds has risen significantly, however, up from $15.6bn in Q1 2012 to $17.7bn in Q2. The largest fund to close during Q2 2012 that offers significant exposure to Europe was AXA Secondary Fund V, which closed on $7.1bn.

Fundraising levels for Asia and Rest of World-focused funds fell slightly compared to the first quarter of 2012. Q1 2012 saw 49 funds with a primary focus on Asia and Rest of World investments reach a final close, with these vehicles raising an aggregate $13.9bn in capital commitments. These funds accounted for one-fifth of the total capital raised by private equity funds during Q1 2012, compared to just 14% of aggregate capital raised this quarter. The largest Asia and Rest of World-focused fund that closed in Q2 2012 was Capital International Private Equity Fund VI, which attracted $3bn from LPs.

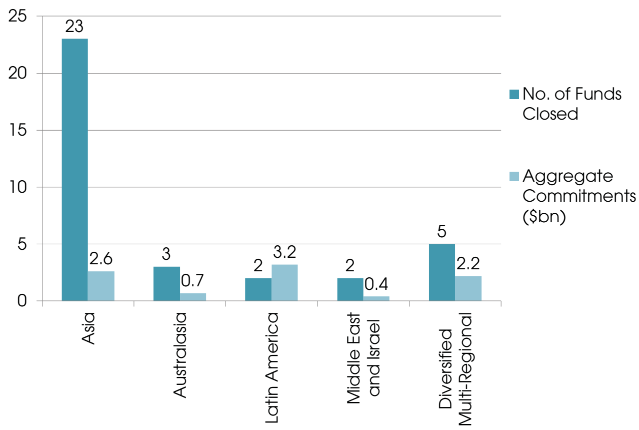
Fig. 10 shows Q2 2012 Asia and Rest of World fundraising broken out into specific regions. Asia accounted for the majority of funds (23); however Latin America-focused funds attracted the largest amount of capital, with two funds raising an aggregate $3.2bn in capital commitments.

Fig. 9: Private Equity Fundraising by Primary Geographic Focus, Q2 2012



Source: Preqin Funds in Market

Fig. 10: Breakdown of Asia and Rest of World Private Equity Fundraising by Region, Q2 2012



Source: Preqin Funds in Market

Preqin's Funds in Market allows users to filter fundraising statistics by fund regional focus and GP location. Want to identify which geographies are proving attractive to investors today and historically? We can help. For more information on how Funds in Market can be used, please visit:

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Buyout and Venture Capital Fundraising

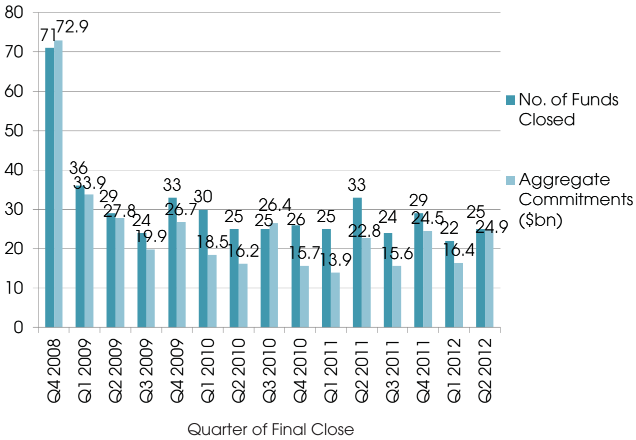
During the second quarter of 2012, 25 private equity vehicles with a buyout strategy reached a final close having raised an aggregate $24.9bn, which represents 38% of all capital raised by private equity funds that closed during the quarter. The amount raised by buyout funds that closed in Q2 is considerably more than was raised by funds of this type that closed in Q1. The total raised in Q2 2012 was 52% higher compared to Q1 2012, when 22 buyout funds raised an aggregate $16.4bn.

The largest buyout fund to close in Q2 2012 was Green Equity Investors VI, which closed on $6.25bn in May. The fund is only the second mega buyout fund to close in 2012. With the adverse market conditions over recent years, this closing is encouraging news for private equity fund managers, as it is evidence that a fund targeting a large amount can successfully raise capital, even in these volatile economic times. The vehicle, managed by Leonard Green & Partners, aims to take controlling stakes in established mid-market companies.

Preqin's database shows 32 venture capital funds that completed their fundraising in Q2 2012, having attracted an aggregate $4.7bn in capital commitments. This is a significant decrease from the Q1 figures, in terms of both the number of funds closed and the total capital raised. In Q1 2012, 49 vehicles reached a final close having raised $10.6bn in investor commitments.

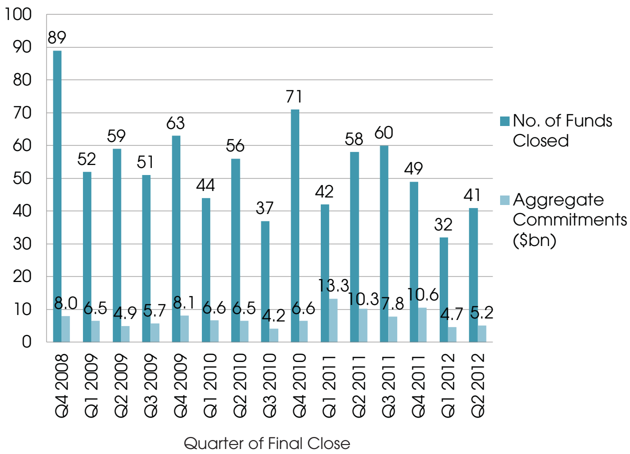
A notable fundraising that took place so far in 2012 was that conducted by US-based Institutional Venture Partners; it closed the largest fund in its 32-year history on $1bn within a matter of months. Announced to LPs in February and having held a final close in June, Fund XIV is seeking investment opportunities in the internet, digital media, enterprise IT and mobile and communications industries. Kleiner Perkins Caufield & Byers XV is the second largest venture capital fund to close in Q2 2012. The $525mn fund focuses on investments in early-stage digital consumer and enterprise, green tech and life sciences companies.

Fig. 11: Buyout Fundraising by Quarter, Q4 2008 – Q2 2012



Source: Preqin Funds in Market

Fig. 12: Venture Capital Fundraising by Quarter, Q4 2008 – Q2 2012



Source: Preqin Funds in Market

Fig. 13: Five Largest Buyout Funds Closed in Q2 2012

Fund	Firm	Size (mn)
Green Equity Investors VI	Leonard Green & Partners	6,250 USD
American Securities Partners VI	American Securities	3,635 USD
Vista Equity Partners Fund IV	Vista Equity Partners	3,440 USD
Metalmark Capital Partners II	Metalmark Capital	2,500 USD
Lion Capital Fund III	Lion Capital	1,525 EUR

Source: Preqin Funds in Market

Fig. 14: Five Largest Venture Capital Funds Closed in Q2 2012

Fund	Firm	Size (mn)
Institutional Venture Partners XIV	Institutional Venture Partners	1,000 USD
Kleiner Perkins Caufield & Byers XV	Kleiner Perkins Caufield & Byers	525 USD
Index Ventures VI	Index Ventures	350 EUR
Braemar Energy Ventures III	Braemar Energy Ventures	300 USD
Madrona Venture Fund V	Madrona Venture Group	300 USD

Source: Preqin Funds in Market

Private Equity Fundraising: Other Fund Types

Of the private equity funds that closed in Q2 2012, a total of $35.7bn was raised by 75 vehicles of fund types other than buyout and venture capital. This accounted for 55% of all private equity capital raised by funds that closed in this period.

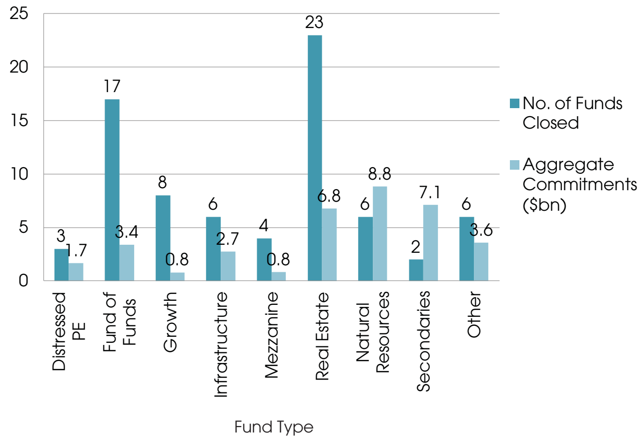
This $35.7bn is less than the amount raised by funds that closed in the previous quarter: $41.2bn of capital was raised by non-buyout or venture capital funds in Q1 2012, which accounted for 60% of the total amount raised by all private equity funds closing in that quarter.

Fig. 15 shows that the fund type that witnessed the highest number of final closes during Q2 2012 was real estate, with 23 funds closing having raised an aggregate $6.8bn. This accounted for 19% of the total capital raised by non-buyout or venture capital funds closed during the period. However, the average size of real estate funds closing has decreased; real estate funds closed in Q1 2012 had an average final size of $341mn, whereas the figure for Q2 2012 is $308mn, representing a drop of 10%.

The top 10 funds to have closed during Q2 2012 in terms of capital raised (excluding buyout and venture capital funds) are displayed in Fig. 16. A variety of fund types have been able to attract significant amounts of investor capital, with six different fund types appearing in the top 10.

The largest fund to close in the second quarter of 2012 was AXA Secondary Fund V. The AXA Private Equity-managed secondaries fund raised $7.1bn in capital commitments, significantly exceeding its initial target of $3.5bn. Even including buyout and venture capital funds, it is the largest private equity vehicle overall to close in this quarter.

Fig. 15: Private Equity Fundraising (Excluding Buyout and Venture Capital Funds) by Fund Type, Q2 2012



Source: Preqin Funds in Market

Preqin's Funds in Market features detailed information regarding vehicles closed historically. Want to break out historical data by specific fund type or vintage year? We can help. For more information on how Funds in Market can be used, please visit:

www.preqin.com/fim

Fig. 16: 10 Largest Funds (Excluding Buyout and Venture Capital Funds) Closed in Q2 2012

Fund	Firm	Type	Size (mn)
AXA Secondary Fund V	AXA Private Equity	Secondaries	7,100 USD
Natural Gas Partners X	NGP Energy Capital Management	Natural Resources	3,586 USD
Capital International Private Equity Fund VI	Capital International	Balanced	3,000 USD
TIAA-CREF Asset Management	TIAA-CREF Global Agriculture	Natural Resources	2,000 USD
Sentient Global Resources Fund IV	Sentient Group	Natural Resources	1,325 USD
KKR Natural Resources	Kohlberg Kravis Roberts	Natural Resources	1,250 USD
KKR Infrastructure Fund	Kohlberg Kravis Roberts	Infrastructure	1,044 USD
Niam Nordic V	Niam	Real Estate	719 EUR
Partners Group Global Real Estate 2011	Partners Group	Real Estate Fund of Funds	800 USD
Colony Distressed Credit Fund II	Colony Capital	Real Estate	780 USD

Source: Preqin Funds in Market

Funds on the Road Overview

The start of Q3 2012 marks the eighth quarterly increase in both the number of funds on the road and the aggregate targeted capital since late 2010. Q2 2012 has seen both the level of capital sought and the number of funds in market increase, with 1,863 funds on the road collectively targeting $792bn as at the start of Q3.

The number of funds in market and the aggregate capital sought by funds has been growing since Q3 2010, as shown in Fig. 17. At the start of Q3 2010, there were 1,522 funds on the road seeking $560bn in aggregate capital, equating to an average target size of $368mn. Going into Q3 2012, however, the average target size now stands at $425mn, representing a 16% increase.

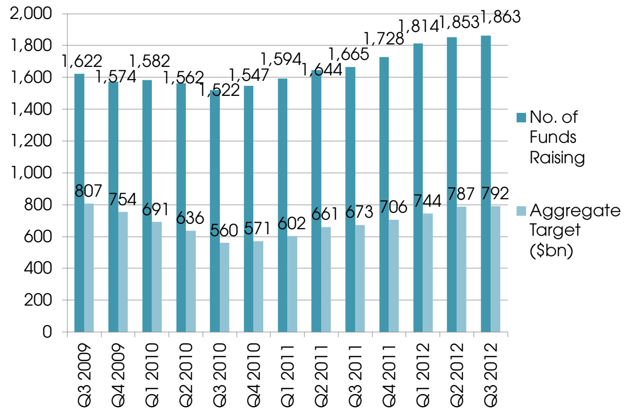
As shown in Fig. 18, funds that primarily invest in North America account for the largest proportion of funds currently seeking capital, with 819 vehicles seeking an aggregate $388bn from investors. These funds account for 44% of all funds on the road and 49% of aggregate capital targeted.

Asia and Rest of World-focused funds are targeting the second largest amount of capital, with 618 vehicles seeking $203bn, accounting for 33% of the number of funds in market and 26% of all capital being sought. Of these funds Asia-focused funds account for the majority, representing two-thirds of the aggregate target capital of Asia and Rest of World-focused funds.

There are currently 426 Europe-focused funds on the road, targeting an aggregate $201bn in capital commitments. These vehicles account for 23% of the number of funds on the road and 25% of all capital being targeted by private equity funds in market.

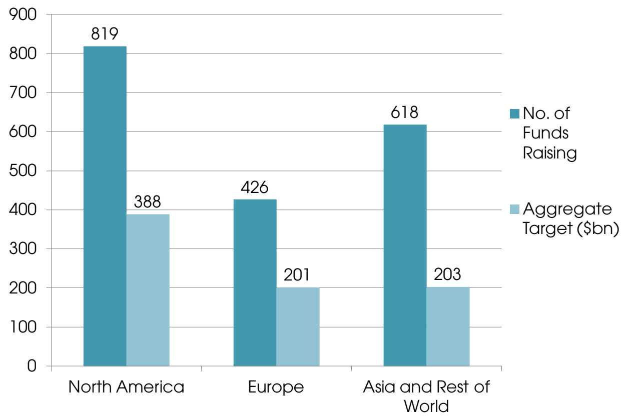
Fig. 19 shows the number of funds and amount of capital raised through interim closes per quarter since Q4 2009. Over this period, there have been a total of 1,860 interim closes recorded. In Q2, the number of interim closes increased by 24% on the level seen last quarter, with 150 funds raising over $48bn towards their fundraising targets.

Fig. 17: Funds in Market by Quarter, Q3 2009 - Q3 2012



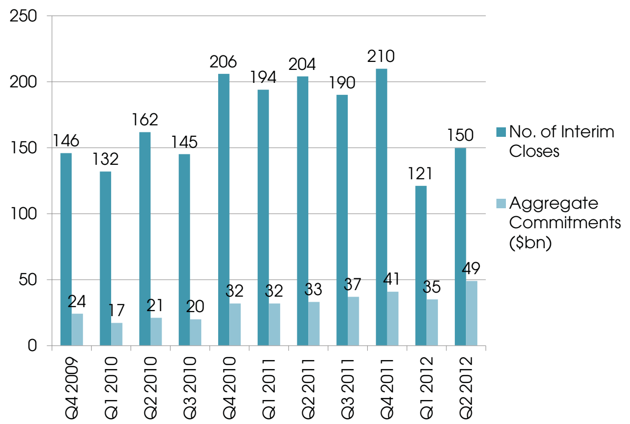
Source: Preqin Funds in Market

Fig. 18: Composition of Funds in Market by Primary Geographic Focus



Source: Preqin Funds in Market

Fig. 19: Interim Fund Closes by Quarter



Source: Preqin Funds in Market

Funds on the Road by Type

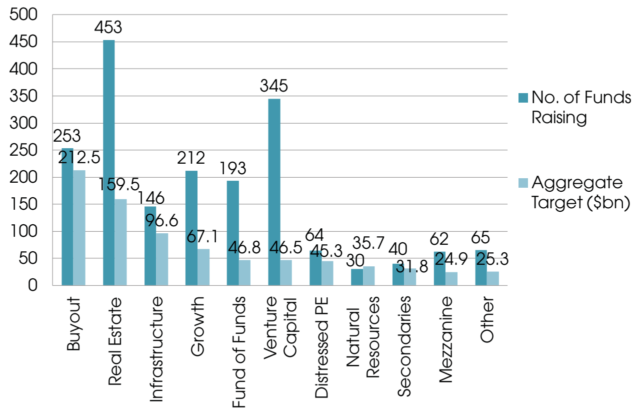
As we move into Q3 2012, Preqin's Funds in Market database shows that there are 1,863 private equity vehicles on the fundraising trail. Collectively, they are targeting capital commitments of $792bn. As seen in previous years, buyout funds are targeting the largest amount of capital of all funds on the road; as of the end of Q2 2012, buyout funds accounted for 27% of all capital currently being sought by private equity funds in market. Fig. 20 shows that there are 253 buyout vehicles currently in market targeting an aggregate $212.5bn in capital commitments.

The 10 largest funds in market, ranked by target fund size, are listed in Fig. 21. The majority are buyout funds, but the largest private equity vehicle currently in market is a real estate fund managed by Blackstone Group. Targeting $13bn, Blackstone Real Estate Partners VII held its sixth close in mid-June on $12.1bn. The fund focuses on acquiring high-quality assets and distressed and/or undermanaged properties at below market prices.

Real estate funds account for the largest proportion (24%) of vehicles on the road by number. There are 453 real estate funds in market seeking a total of $159.5bn in commitments. The second most numerous type of fund on the road is venture capital, with 345 vehicles on the fundraising trail, collectively targeting $46.5bn.

Growth funds, funds of funds and infrastructure funds also make up significant proportions of the private equity funds on the road. Growth falls fourth in the ranking of most numerous funds in market behind buyout, with 212 growth funds currently in market. These vehicles are collectively targeting $67.1bn in capital commitments, which accounts for 8.5% of all capital currently being targeted by private equity funds in market.

Fig. 20: Composition of Funds in Market by Type



Source: Preqin Funds in Market

Natural resources funds are the least numerous type of fund on the road, with only 30 vehicles seeking capital at the start of Q3 2012. However, a natural resources fund does feature on the list of 10 largest funds in market by target size: First Reserve Fund XIII is targeting $6bn to invest in well-positioned global energy companies, focusing primarily on the US, but also considering opportunities in Brazil, Russia, India and China.

Preqin's Funds in Market is a vital fundraising tool, allowing users to analyze market trends using a variety of criteria, including fund type, vintage year, industry preferences and more. For more information on how Funds in Market can help you, please visit:

www.preqin.com/fim

Fig. 21: 10 Largest Funds in Market by Target Fund Size

Fund	Firm	Type	Target Size (mn)	Firm Location	Fund Focus
Blackstone Real Estate Partners VII	Blackstone Group	Real Estate	13,000 USD	US	US
Warburg Pincus Private Equity XI	Warburg Pincus	Balanced	12,000 USD	US	US
Apax VIII	Apax Partners	Buyout	9,000 EUR	UK	Europe
Carlyle Partners VI	Carlyle Group	Buyout	10,000 USD	US	US
KKR North American XI Fund	Kohlberg Kravis Roberts	Buyout	10,000 USD	US	US
Permira V	Permira	Buyout	6,500 EUR	UK	Europe
Advent Global Private Equity VII	Advent International	Buyout	7,000 EUR	US	Europe
Silver Lake Management IV	Silver Lake	Buyout	8,000 USD	US	US
Cinven V	Cinven	Buyout	5,000 EUR	UK	Europe
First Reserve Fund XIII	First Reserve Corporation	Natural Resources	6,000 USD	US	US

Source: Preqin Funds in Market

Fundraising Future Predictions

The fundraising market for private equity funds remained depressed during Q2 2012, with just 132 funds able to hold final closes worldwide, raising an aggregate $65.3bn from investors. However, we anticipate that fundraising figures for Q2 will increase by around 10-20% as more data becomes available, suggesting that the final levels of capital raised during the quarter will surpass the $68.1bn raised in Q1 2012 and reach similar levels to those seen in Q4 2011.

In addition to the stable levels of capital raised by private equity funds in Q2 2012, we have also seen a number of strong interim closes during the quarter, suggesting that momentum in the market is increasing. In total, 145 funds reached an interim close, raising an aggregate $64.7bn towards their fundraising targets. Fig. 22 details the top five interim closes made during Q2 2012.

Further evidence of this increasing momentum is the fact that several firms were able to close large funds in Q2, with notable examples including the $7.1bn AXA Secondary Fund V; the $6.25bn Green Equity Investors VI, managed by Leonard Green & Partners; NGP Energy Capital Management's Natural Gas Partners X, which closed on nearly $3.6bn; and a $1bn venture capital fund managed by Institutional Venture Partners.

As predicted in the Q1 2012 Preqin Private Equity Quarterly, the crowded fundraising conditions have persisted. The number of vehicles in market moving into Q3 has increased yet again – for the eighth successive quarter – to stand at 1,863. These vehicles are seeking $792bn from investors and it is evident that there is not enough investor capital to satisfy them all. Interestingly, there were 618 Asia and Rest of World-focused funds in market targeting an aggregate $203bn at the start of Q3 2012 (more than for Europe-focused vehicles), which highlights the growing interest in less traditional private equity markets.

With conditions so crowded, many GPs will have to spend a substantial amount of time in market in order to raise sufficient capital. The average time taken to raise a fund increased substantially in the immediate wake of the financial crisis as the industry came to terms with changing conditions. However, this has now normalized to a degree. Funds that closed in Q2 2012 took on average 17.1 months to do so, a slight increase from the 16.6 months for funds that closed in Q1 2012, but less than the 17.8 months seen for funds that finalized fundraising in 2011. Thirty percent of funds that closed in Q2 2012 did so in 13-18 months, with 12% closing in under six months and 17% doing so in 7-12 months.

What does the future hold? It is likely as we move towards the end of 2012 and into 2013 that we will see several mega-sized buyout fund managers coming back to market with new funds. While 2005-2008 saw a number of larger vehicles successfully raise capital, constricted credit markets, financial market volatility and poor investor appetite for mega funds have served to keep many firms on the sidelines. Alongside the other larger vehicles already on the road, should these funds coming to market be successful in attracting capital, overall fundraising levels could increase.

Though institutional investor interest in private equity remains strong, it is unlikely that overall fundraising levels will hit the heights seen in 2007 or 2008. The asset class has been in a state of upheaval since 2009, but fund managers and investors have adapted to the current economic environment. Fund sizes are now more in sync with the caution shown by LPs and subdued deal-making markets. As a result we expect that fundraising during Q3 2012 will at the very least remain consistent with what we have seen in recent quarters.

Fig. 22: Top Five Interim Fund Closes in Q2 2012 by Cumulative Interim Close Size

Fund	Vintage	Manager	Type	Target Size (mn)	Latest Interim Close Size (mn)	Latest Interim Close Date	Fund Status	Manager Country	Fund Focus
Blackstone Real Estate Partners VII	2011	Blackstone Group	Real Estate	13,000 USD	12,086 USD	18-Jun-12	Sixth Close	US	US
Global Infrastructure Partners II	2011	Global Infrastructure Partners	Infrastructure	5,000 USD	5,502 USD	24-May-12	Second Close	US	US
Warburg Pincus Private Equity XI	2012	Warburg Pincus	Balanced	12,000 USD	5,000 USD	11-May-12	First Close	US	US
Ares Corporate Opportunities Fund IV	2012	Ares Management	Buyout	4,000 USD	3,200 USD	02-May-12	First Close	US	US
KKR Asia Fund II	2012	Kohlberg Kravis Roberts	Buyout	6,000 USD	3,000 USD	20-Jun-12	First Close	US	ROW

Source: Preqin Funds in Market

Buyout Deals and Exits Overview

A total of 705 private equity-backed buyout deals were announced globally in Q2 2012, with an aggregate value of $60.4bn. This represents a 37% increase from the $44bn in deals witnessed during Q1 2012 and a 6% increase from the $56.8bn worth of transactions that occurred in Q4 2011, as private equity deals rebounded from the steep declines of Q1 2012.

Interestingly, the number of deals announced during Q2 2012 remained virtually unchanged from the previous quarter, highlighting that the rise in aggregate deal value was caused by an increase in large-cap transactions, with 21 deals valued at over $1bn announced during Q2 2012 (vs. 8 in Q1 2012). Despite this increase in Q2 2012, the value of private equity-backed deals made in H1 2012 stands at $104.4bn, down 25% from H1 2011.

North America saw 369 buyouts valued at $32.8bn completed during Q2 2012, a 44% increase in deal value from the previous quarter. This makes the region once again the most prominent area for private equity-backed buyouts globally.

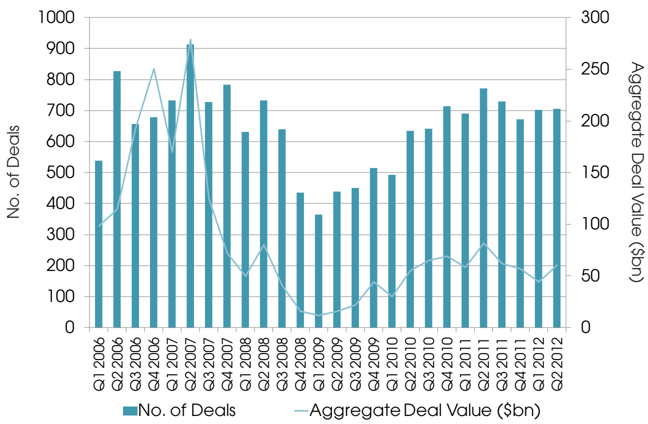
The value of Europe-based deals experienced a 33% increase to $16.9bn during Q2 2012, from $12.7bn in Q1 2012; however, aggregate deal value remains significantly below the average of $24bn in deals per quarter during 2011. Elsewhere, deal value in the Asia and Rest of World region climbed by 25% to $10.7bn in Q2 2012, nearing the post-Lehman high of $11bn seen in Q1 2011.

In total, 293 private equity-backed exits were announced during Q2 2012, representing an aggregate value of $77.7bn. This accounts for an increase of almost two-thirds on the $47.2bn in exits witnessed during the previous quarter, making Q2 2012 the strongest quarter for private equity-backed exits since the post-crisis high of Q2 2011.

Over half of all deals in Q2 2012 were valued at less than $100mn, with 75% of deals falling into the small-cap bracket of less than $250mn. Mid-market deals represented 18% of the number and 32% of the value of deals witnessed during Q2 2012, while transactions valued at over $1bn in size made up 9% of the total number and represented half of the aggregate capital invested in Q2 2012. In comparison, such deals made up just 4% of the total number in Q1.

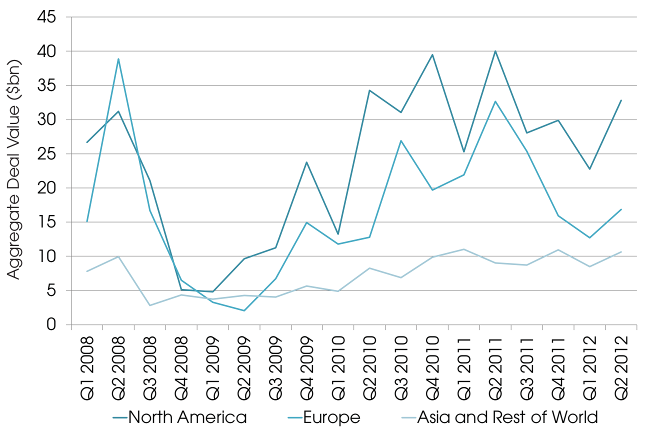
The industrials sector was once again the most prominent area of buyout activity regarding the number of deals, with 22% of all transactions taking place in this sector. The consumer sector accounted for the largest proportion of the value of deals of all industries, accounting for 29% of deal value. Three of the 10 largest buyout deals announced during the quarter occurred in the consumer sector, including the largest – the $2.69bn recapitalization of Party City Corporation by Thomas H Lee Partners.

Fig. 23: Number and Aggregate Value of Buyout Deals Globally: Q1 2006 - Q2 2012



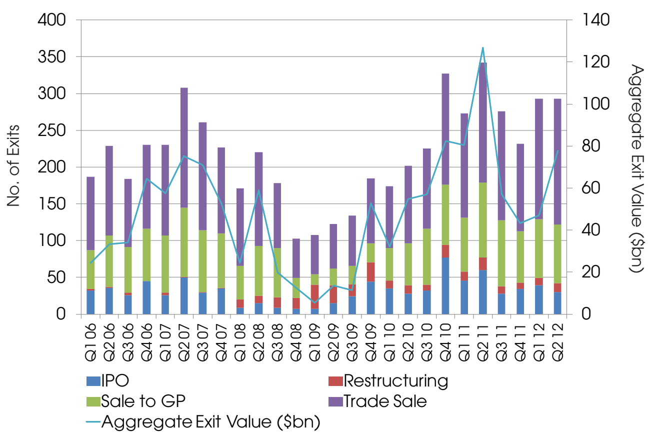
Source: Preqin Buyout Deals Analyst

Fig. 24: Aggregate Deal Value By Region: Q1 2008 - Q2 2012



Source: Preqin Buyout Deals Analyst

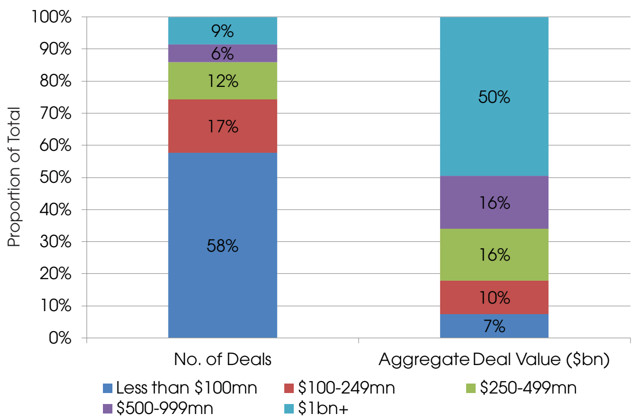
Fig. 25: Global Number of Private Equity-Backed Exits by Type and Aggregate Exit Value: Q1 2006 - Q2 2012



Source: Preqin Buyout Deals Analyst

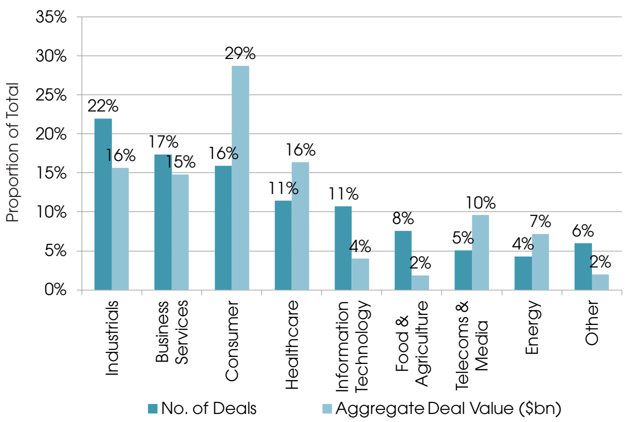
Largest Buyout Deals and Exits; Deals by Value and Industry

Fig. 26: Breakdown of Number and Aggregate Value of PE-Backed Buyout Deals by Value Band, Q2 2012



Source: Preqin Buyout Deals Analyst

Fig. 27: Breakdown of Number and Aggregate Value of Private Equity-Backed Buyout Deals by Industry, Q2 2012



Source: Preqin Buyout Deals Analyst

Fig. 28: 10 Largest Private Equity-Backed Buyout Deals in Q2 2012

Name	Deal Date	Type	Deal Size (mn)	Buyers	Sellers	Primary Industry	Location
Party City Corporation	Jun-12	Recapitalisation	2,690 USD	Thomas H Lee Partners	Advent International, Berkshire Partners, Weston Presidio Capital	Consumer Products	US
BSN Medical	Jun-12	Buyout	1,800 EUR	EQT Partners	Montagu Private Equity	Medical Devices	Germany
EMI Music Publishing	Jun-12	Buyout	2,200 USD	Blackstone Group, Sony, Mubadala Development, The Raine Group	Citigroup	Entertainment	US
Collective Brands Inc.	May-12	Public To Private	2,000 USD	Blum Capital Partners, Golden Gate Capital, Wolverine World Wide, Inc.	-	Retail	US
Motel 6	May-12	Buyout	1,900 USD	Blackstone Group	Accor	Hotels and Offices	US
Knology	Apr-12	Add-on	1,500 USD	Avista Capital Partners, Northwestern Mutual Capital Management, SL Capital Partners, WideOpenWest, LLC	-	Telecoms	US
Four Seasons Health Care	Apr-12	Buyout	825 GBP	Terra Firma Capital Partners	Royal Bank of Scotland	Healthcare	UK
Klöckner Pentaplast	Apr-12	Restructuring	990 EUR	Strategic Value Partners	Blackstone Group	Manufacturing	Germany
AmWINS Group, Inc.	Apr-12	Recapitalisation	1,300 USD	New Mountain Capital	Parthenon Capital	Insurance	US
Global Refund	May-12	Buyout	1,000 EUR	Partners Group, Silver Lake	Equistone Partners Europe	Financial Services	Switzerland

Source: Preqin Buyout Deals Analyst

Fig. 29: Notable Private Equity-Backed Exits in Q2 2012

Firm	Investment Date (Entry)	Investors (Entry)	Deal Size (mn)	Exit Type	Exit Date	Acquirer (Exit)	Exit Value	Industry	Location
Actavis Group	May-07	Novator Partners	3,000 USD	Trade Sale	Apr-12	Watson Pharmaceuticals Inc.	4,250 EUR	Pharmaceuticals	Switzerland
Healthcare Partners Holdings	Jun-05	Summit Partners	-	Trade Sale	May-12	DaVita Inc.	4,420 USD	Healthcare	US
StarBev Management Services	Oct-09	CVC Capital Partners	2,231 USD	Trade Sale	Apr-12	Molson Coors Brewing Company	2,650 EUR	Beverages	Czech Republic
Party City Corporation*	Sep-05	AAH Holdings Corporation, Berkshire Partners, Weston Presidio Capital	360 USD	Sale to GP	Jun-12	Thomas H Lee Partners	2,690 USD	Consumer Products	US
AMC Entertainment Inc.	Jun-05	Apollo Global Management, Bain Capital, Carlyle Group, JPMorgan Partners, Loews Cineplex Entertainment Corporation, Spectrum Equity Investors	-	Trade Sale	May-12	Dalian Wanda Group Co., Ltd.	2,600 USD	Entertainment	US

** denotes partial exit*

Source: Preqin Buyout Deals Analyst

Venture Capital Deals by Quarter

A total of 1,249 venture capital financings were announced during Q2 2012 for an aggregate $10.9bn as shown on Preqin's new Venture Deals Analyst database. This represents a 16% increase in both the number and value of VC deals in comparison to Q1 2012, and is the largest amount of aggregate capital committed in a quarter by VC firms since Q3 2011.

Sixty-seven percent of the number and 75% of the aggregate value of VC deals announced in Q2 2012 occurred in North America, with 839 VC financings valued at an aggregate $8.2bn. This is a 14% increase in comparison to the previous quarter, when 734 North American VC financings valued at $7.2bn were announced.

In Europe, a 23% rise in the number of VC deals and a 25% increase in value in comparison to the previous quarter was witnessed, with 252 such deals valued at $1.4bn taking place during Q2 2012, representing the highest levels of VC deal activity seen in the region in recent years.

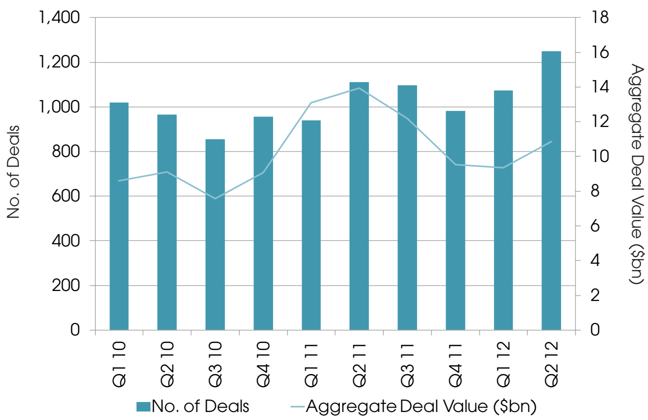
The number of VC deals taking place in China fell again in Q2 2012, with 27 VC deals announced during Q2 2012, a 20% drop from Q1 2012 and a 42% decrease from Q4 2011. While the number of financings taking place in China dipped in Q2 2012, deal value almost doubled in comparison to the previous quarter, with $545mn invested in the region. This deal value is still lower than the $798mn seen in Q4 2011, largely due to investor concerns regarding the Chinese exit market.

A total of 75 VC deals were announced in India during Q2 2012, a 32% increase from the previous quarter, representing the most active quarter for Indian deals during 2010 – H1 2012. Seventeen VC financings valued at an aggregate $200mn were reported in Israel during the period, matching the levels of activity seen in the region across recent quarters.

One-third of all VC deals globally during Q2 2012 were Angel, Seed or Series A deals, displaying investors' attraction towards very early stage investments. Additionally, Series B, C, D, and later investments accounted for less than 20% of the number of all transactions. VC-backed add-on deals made up 7% of all deals, highlighting VC firms' propensity for bolting-on smaller companies to portfolio companies, while just 4% were classified as growth capital financings.

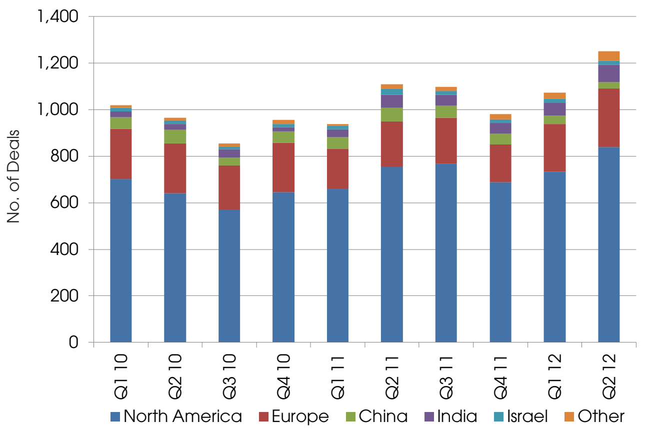
In Q2 2012, more than one-quarter of the total number and aggregate value of VC financings globally were in the internet sector, including social networking and e-commerce. The healthcare and software sectors each saw around 16% of the total number of VC deals made during the quarter, while clean technology companies garnered 13% of the total aggregate deal value.

Fig. 30: Number and Aggregate Value of Venture Capital Deals Globally, Q1 2010 - Q2 2012



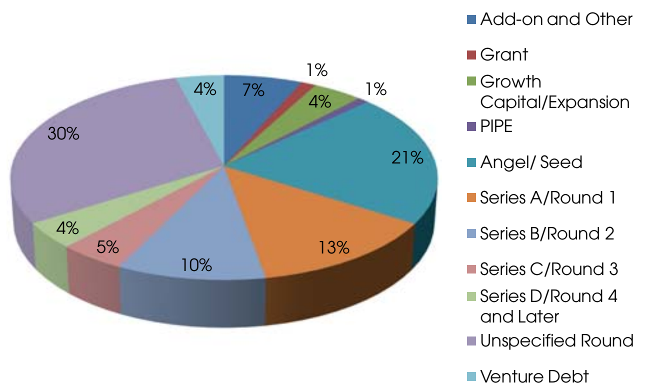
Source: Preqin Venture Deals Analyst

Fig. 31: Number of Venture Deals by Geographic Location, Q1 2010 - Q2 2012



Source: Preqin Venture Deals Analyst

Fig. 32: Proportion of Number of Venture Capital Deals by Stage, Q2 2012*

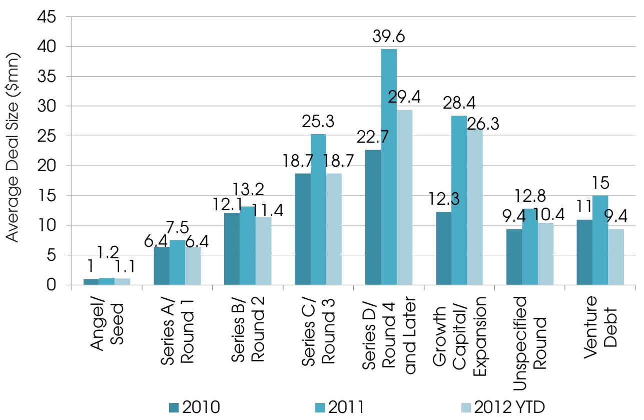


Source: Preqin Venture Deals Analyst

*including add-ons and venture debt

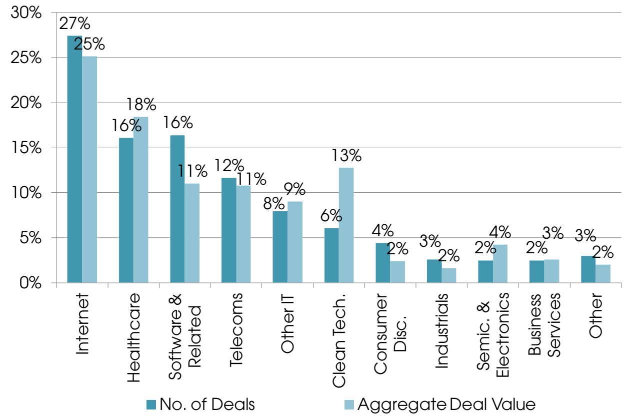
Largest Venture Capital Deals and Exits; Deals by Value and Stage

Fig. 33: Average Value of Venture Capital Deals by Stage, 2010 - 2012 YTD



Source: Preqin Venture Deals Analyst

Fig. 34: Proportion of Number and Aggregate Value of Venture Capital Deals by Industry, Q2 2012



Source: Preqin Venture Deals Analyst

Fig. 35: 10 Largest Venture Capital Deals: Q2 2012

Name	Date	Stage	Deal Size (mn)	Investors	Primary Industry	Location
Fisker Automotive, Inc.	Apr-12	Unspecified Round	392 USD	Kleiner Perkins Caufield & Byers, New Enterprise Associates	Clean Technology	US
Xiaomi	Jun-12	Series C/Round 3	216 USD	DST Global	Telecoms	China
Fanatics, Inc.	Jun-12	Unspecified Round	150 USD	Andreessen Horowitz, Insight Venture Partners	Internet	US
Sapphire Energy, Inc.	Apr-12	Series C/Round 3	144 USD	ARCH Venture Partners, Arrowpoint Ventures, Cascade Investment LLC, Monsanto Company, Venrock, Wellcome Trust	Clean Technology	US
Sonos, Inc.	Jun-12	Growth Capital/ Expansion	135 USD	Elevation Partners, Kohlberg Kravis Roberts, Redpoint Ventures	Electronics	US
Xplornet Communications Inc.	Jun-12	Growth Capital/ Expansion	125 CAD	-	Internet	Canada
Bioventus LLC	May-12	Growth Capital/ Expansion	118 USD	Alta Capital, Ampersand Capital Partners, Essex Woodlands Health Ventures, Pantheon, Spindletop Capital, White Pine Medical, Inc.	Healthcare	US
Harvest Power, Inc.	Apr-12	Series C/Round 3	110 USD	American Refining and Biochemical, Inc., Duff Ackerman & Goodrich Ventures, Generation Investment Management, Kleiner Perkins Caufield & Byers, True North Venture Partners	Clean Technology	US
Castlight Health, Inc.	May-12	Series D/Round 4	100 USD	Redmile Group, T Rowe Price	Healthcare IT	US
Pinterest	May-12	Unspecified Round	100 USD	Andreessen Horowitz, Bessemer Venture Partners, FirstMark Capital, Rakuten, Inc.	Internet	US

Source: Preqin Venture Deals Analyst

Fig. 36: Five Notable Venture Capital Exits: Q2 2012

Name	Date of First Investment	Investors (Entry)	Total Known Funding ($mn)	Exit Type	Exit Date	Acquirer (Exit)	Exit Value ($mn)	Primary Industry	Location
Facebook, Inc.*	Sep-04	Accel Partners, DST Global, Elevation Partners, Firsthand Technology Value Fund, Goldman Sachs, Greylock Partners, GSV Capital, Hercules Technology Growth Capital, Meritech Capital Partners, Microsoft, T Rowe Price, The Founders Fund Management, TriplePoint Capital	2,391.20	IPO	May-12	-	16,000	Internet	US
Yammer, Inc.	Jan-09	Capricorn Venture Partners, Charles River Ventures, CrunchFund, Draper Fisher Jurvetson, Emergence Capital Partners, Founders Fund, Goldcrest Investments, Khosla Ventures, Meritech Capital Partners, SV Angel, The Founders Fund Management, The Social+Capital Partnership, US Venture Partners	142	Trade Sale	Jun-12	Microsoft Corp.	1,200	Internet	US
Instagram, Inc.	Mar-10	Andreessen Horowitz, Balderton Capital, Baseline Ventures, Benchmark Capital, Greylock Partners, Sequoia Capital, Thrive Capital Management	57.5	Trade Sale	Apr-12	Facebook, Inc.	1,000	Mobile Applications	US
Buddy Media, Inc.	Sep-07	Bay Partners, Counsel RB Capital, European Founders, GGV Capital, Greycroft Partners, Insight Venture Partners, Institutional Venture Partners, Knight's Bridge Capital Partners, Softbank Capital, WPP	90	Trade Sale	Jun-12	Salesforce.com	689	Software	US
EUSA Pharma, Inc.	Jul-05	Acqua Wellington Asset Management, Banc of America Securities, Bay Capital, Clarion Capital Partners, Downsview Capital, First Eagle Investment Management, Fort Mason Capital, Heights Capital Management, Highbridge, Iroquois Capital Group, J.P. Morgan, Merlin Nexus, Nite Capital Management, Oppenheim Asset Management Services, OrbiMed Advisors, ProQuest Investments, Rodman & Renshaw, Versant Ventures, Waud Capital Partners	54.2	Trade Sale	Apr-12	Jazz Pharmaceuticals	650	Pharmaceuticals	UK

** denotes partial exit*

Source: Preqin Venture Deals Analyst

Dry Powder

Since the turmoil in the financial markets in 2008 and 2009, levels of dry powder have declined across the private equity industry; however, capital available to fund managers increased by 2% between December 2010 and December 2011.

Fig. 37 shows the amount of dry powder available across the whole private equity industry by fund type. With the exception of 2011, which showed a slight increase, the levels of dry powder have decreased each year since 2008. Between 2008 and June 2012, buyout funds have experienced the most significant decrease in dry powder levels, with a 24% drop. Despite this, the trend has not been the same for all fund types during this time, with growth and distressed private equity showing increases of 26.9% and 8.7% respectively.

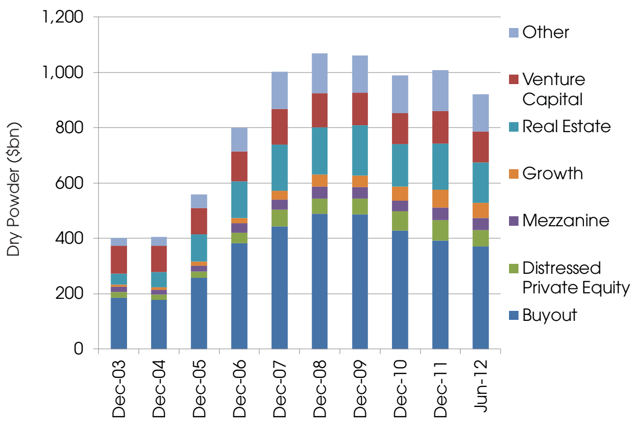
Overall levels of dry powder split by primary geographic focus are shown in Fig. 38. Between December 2008 and June 2012, uncalled capital available to North America- and Europe-focused funds decreased by 17.2% and 18.8% respectively. In contrast, funds with a primary regional focus on Asia and Rest of World investments saw dry powder levels increase by 3.7%.

Fig. 39 shows both the amount of capital invested and the uncalled capital available to buyout funds of vintage years 2005 to 2011. As the median investment period for buyout funds is five years, most vintage 2007 and 2008 buyout funds will be approaching the end of their investment periods within the next two years. As of June 2012, vintage 2007 and 2008 buyout funds had $49bn and $64bn available to deploy respectively. Funds with later vintages are closer to the beginning of their investment cycles, and therefore have invested less capital than funds with earlier vintages. For example, vintage 2010 and 2011 funds have invested $14bn and $7bn respectively.

Preqin's Fund Manager Profiles online service features detailed profiles of private equity GPs and detailed information regarding capital held in reserve. Want to break out historical dry powder data by fund type or target geography? The dry powder held by a specific manager? We can help. For more information, please visit:

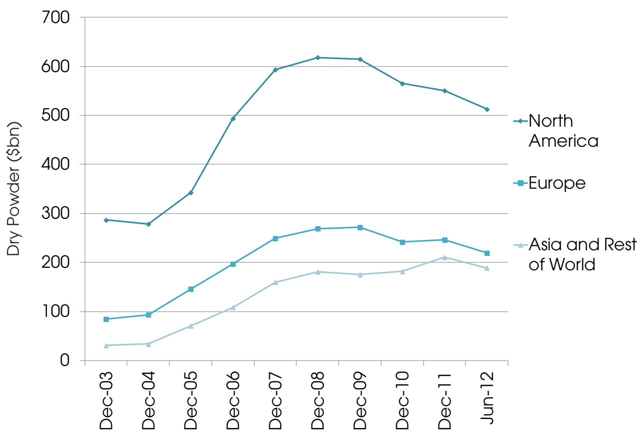
www.preqin.com/fmp

Fig. 37: Private Equity Dry Powder by Fund Type, 2003 - June 2012



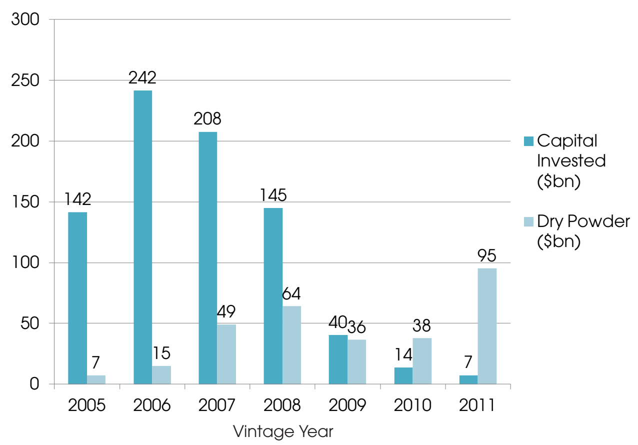
Source: Preqin Fund Manager Profiles

Fig. 38: Private Equity Dry Powder by Primary Geographic Focus, 2003 - June 2012



Source: Preqin Fund Manager Profiles

Fig. 39: Buyout Funds - Capital Invested and Dry Powder Remaining by Vintage Year as of June 2012



Source: Preqin Fund Manager Profiles

Performance Update

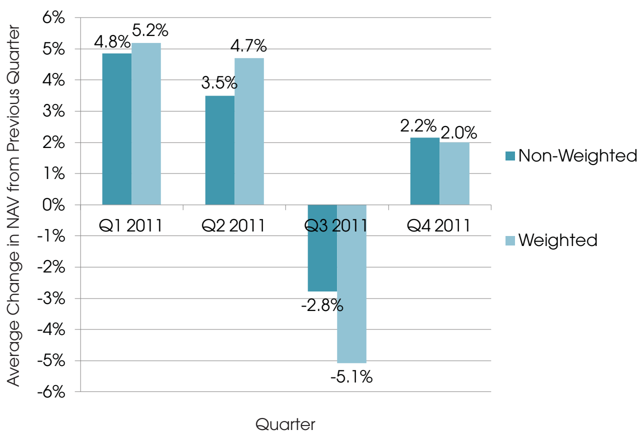
Preqin currently holds net-to-LP performance data for 6,100 private equity funds. By using data from Performance Analyst, Preqin has analyzed the returns generated by private equity partnerships (as of 31 December 2011) to provide an independent and unbiased assessment of the private equity industry.

The average quarterly change in net asset value (NAV) for all private equity funds during 2011 is shown in Fig. 40. For the first two quarters of 2011, the net asset value experienced quarterly increases in both the weighted and non-weighted metrics. The third quarter of 2011 saw quarterly decreases of 5.1% for the weighted metric and 2.8% for the non-weighted, indicating that the larger funds were more affected by European sovereign debt-related market uncertainty during this time. Both the weighted and non-weighted metrics have shown similar quarterly increases during Q4 2011, with 2.0% and 2.2% respectively.

Fig. 41 shows the quarterly weighted change in net asset value for the different private equity strategies from Q1 2011 to Q4 2011. For all private equity fund types shown, the non-weighted net asset values showed quarterly increases in the first two quarters of 2011. However, all strategies, with the exception of mezzanine, real estate, and secondaries, experienced quarterly decreases in Q3 2011. During Q4 2011, all strategies showed quarterly increases, with buyout funds showing the highest increase of 3.1%.

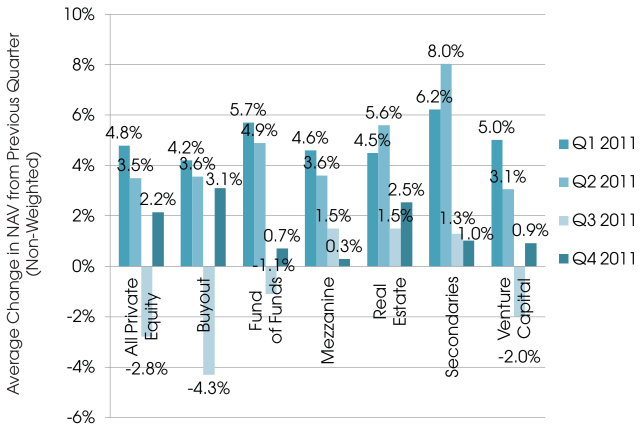
Fig. 42 shows the horizon returns generated by the private equity industry over one-, three-, five- and ten-year periods together, compared with the returns achieved by three public indices through 31st December 2011. Private equity generates annualized returns over one-year of 9.2%, with the S&P 500, MSCI Europe, and MSCI Emerging Markets reporting 2.1%, -11.1%, and -18.4% respectively. Over three years, private equity and the S&P 500 report similar returns of 13.9% and 14.1% respectively, but both are outperformed by MSCI Emerging Markets. Private equity outperforms all public indices over five years, generating a return of 5.4%. Over the ten-year period, MSCI Emerging Markets shows similar returns to the private equity industry, with 13.9% compared to private equity's 11.9% and both outperform MSCI Europe and the S&P 500. It should be noted that any comparisons made between private equity and listed equities should be viewed in context – private equity is an illiquid asset class where investors are committed for a long period of time.

Fig. 40: Change in Net Asset Value (NAV) of All Private Equity Funds by Quarter



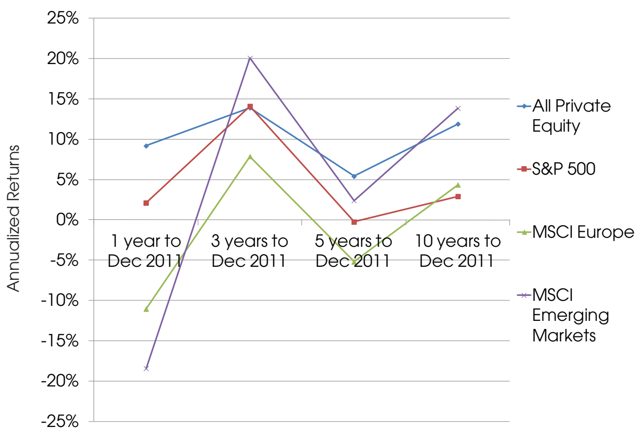
Source: Preqin Performance Analyst

Fig. 41: Quarterly Change in Net Asset Value (NAV) by Fund Type



Source: Preqin Performance Analyst

Fig. 42: Private Equity Horizon IRR vs. Public Indices, As of 31 December 2011



Source: Preqin Performance Analyst

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* Performance Analyst, Funds in Market, Fund Manager Profiles, Investor Intelligence, Buyout Deals Analyst and Venture Deals Analyst

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