



alternative assets. intelligent data.

The Preqin Private Equity Committed Capital Index



As of 30th September 2014

Report Produced in April 2015

www.preqin.com

The Preqin Private Equity Committed Capital Index

The measurement of private equity fund performance has historically been based on the capital actually called up and invested by the fund manager. However, this approach does not take into account the fact that the investor has no control over when the fund manager will call up its outstanding commitment – the investor must have capital ready to meet its remaining commitment to the fund as and when the manager makes a capital call. Therefore an alternative (and less explored) view of private equity performance is to observe it in the context of total capital committed to the fund by the investor.

But how do we account for this? Investors can, and do, deal with the issue of how to handle their outstanding commitments in several ways. Those with large and long-established private equity programs can make estimates with a degree of certainty regarding the timings of aggregate cash flows in their portfolios and can therefore employ an “over-commitment” strategy to maintain a stable allocation to the asset class.

Other investors may invest in any number of liquid assets while waiting for capital calls to be made. The “base case” scenario is to invest outstanding commitments in risk-free assets (e.g. T-Bills), and this is the scenario measured by the Preqin Private Equity Committed Capital Index (Preqin PECC Index), the first ever index to track buyout fund performance data using a committed capital model. The Preqin PECC Index aims to represent the returns on committed capital by including the actual amount of money invested in private equity partnerships as well as returns that the outstanding commitments will generate if invested on a risk-free basis.

For more information about the Preqin Private Equity Quarterly Index (PrEQIn Index) – Preqin’s private equity performance index based on invested capital – please visit: <http://www.preqin.com/PrEQIn>.

This publication is not included in the CLA Licence so you must not copy any portion of it without the permission of the publisher.

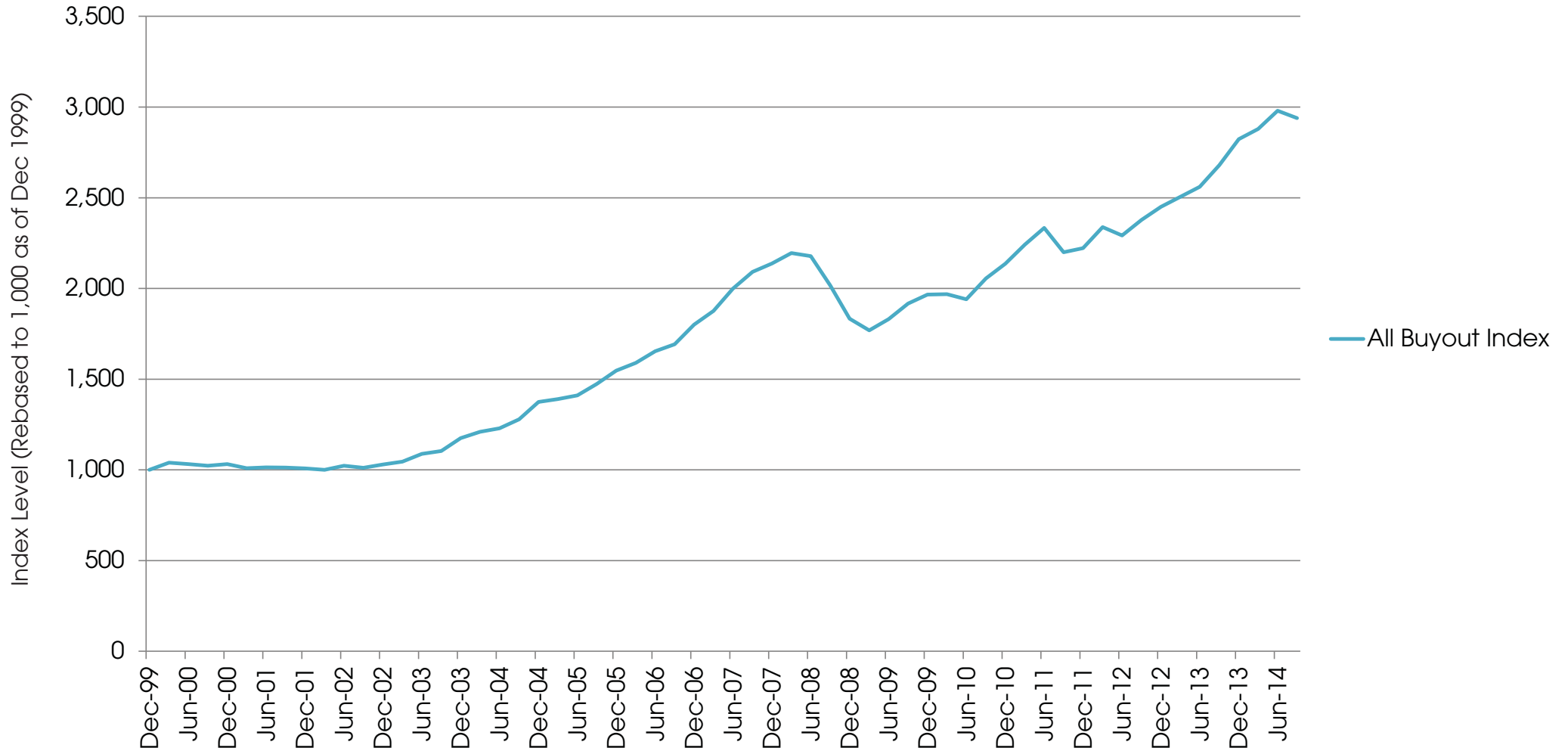
All rights reserved. The entire contents of the report are the Copyright of Preqin Ltd. No part of this publication or any information contained in it may be copied, transmitted by any electronic means, or stored in any electronic or other data storage medium, or printed or published in any document, report or publication, without the express prior written approval of Preqin Ltd. The information presented in the report is for information purposes only and does not constitute and should not be construed as a solicitation or other offer, or recommendation to acquire or dispose of any investment or to engage in any other transaction, or as advice of any nature whatsoever. If the reader seeks advice rather than information then he should seek an independent financial advisor and hereby agrees that he will not hold Preqin Ltd. responsible in law or equity for any decisions of whatever nature the reader makes or refrains from making following its use of the report.

While reasonable efforts have been used to obtain information from sources that are believed to be accurate, and to confirm the accuracy of such information wherever possible, Preqin Ltd. Does not make any representation or warranty that the information or opinions contained in the report are accurate, reliable, up-to-date or complete.

Although every reasonable effort has been made to ensure the accuracy of this publication Preqin Ltd. does not accept any responsibility for any errors or omissions within the report or for any expense or other loss alleged to have arisen in any way with a reader's use of this publication.

The Preqin Private Equity Committed Capital Index

Preqin Private Equity Committed Capital Index: Historical Performance



The Preqin Private Equity Committed Capital Index

Quarter End	All Buyout Index	Quarterly Return
Dec-99	1,000.0	
Mar-00	1,039.4	3.94%
Jun-00	1,031.3	-0.78%
Sep-00	1,023.2	-0.78%
Dec-00	1,031.7	0.83%
Mar-01	1,009.3	-2.17%
Jun-01	1,013.8	0.44%
Sep-01	1,012.6	-0.12%
Dec-01	1,007.8	-0.47%
Mar-02	1,000.0	-0.78%
Jun-02	1,023.3	2.33%
Sep-02	1,011.4	-1.16%
Dec-02	1,029.2	1.76%
Mar-03	1,045.4	1.58%
Jun-03	1,088.5	4.12%
Sep-03	1,103.5	1.38%
Dec-03	1,175.0	6.48%
Mar-04	1,210.1	2.99%
Jun-04	1,229.4	1.59%
Sep-04	1,278.3	3.98%

Quarter End	All Buyout Index	Quarterly Return
Dec-04	1,374.4	7.52%
Mar-05	1,389.9	1.13%
Jun-05	1,410.9	1.51%
Sep-05	1,473.3	4.42%
Dec-05	1,547.3	5.03%
Mar-06	1,589.6	2.73%
Jun-06	1,654.2	4.07%
Sep-06	1,692.6	2.32%
Dec-06	1,800.0	6.35%
Mar-07	1,875.7	4.20%
Jun-07	1,999.2	6.58%
Sep-07	2,091.0	4.59%
Dec-07	2,137.7	2.24%
Mar-08	2,195.3	2.69%
Jun-08	2,178.4	-0.77%
Sep-08	2,016.7	-7.42%
Dec-08	1,833.6	-9.08%
Mar-09	1,768.8	-3.54%
Jun-09	1,830.7	3.50%
Sep-09	1,916.3	4.68%

Quarter End	All Buyout Index	Quarterly Return
Dec-09	1,966.4	2.62%
Mar-10	1,968.7	0.11%
Jun-10	1,940.7	-1.42%
Sep-10	2,055.4	5.91%
Dec-10	2,136.1	3.93%
Mar-11	2,241.6	4.94%
Jun-11	2,333.5	4.10%
Sep-11	2,199.8	-5.73%
Dec-11	2,222.3	1.02%
Mar-12	2,338.6	5.23%
Jun-12	2,292.4	-1.97%
Sep-12	2,377.1	3.70%
Dec-12	2,449.7	3.05%
Mar-13	2,505.4	2.28%
Jun-13	2,559.9	2.18%
Sep-13	2,680.2	4.70%
Dec-13	2,823.2	5.34%
Mar-14	2,879.6	2.00%
Jun-14	2,979.8	3.48%
Sep-14	2,939.5	-1.35%

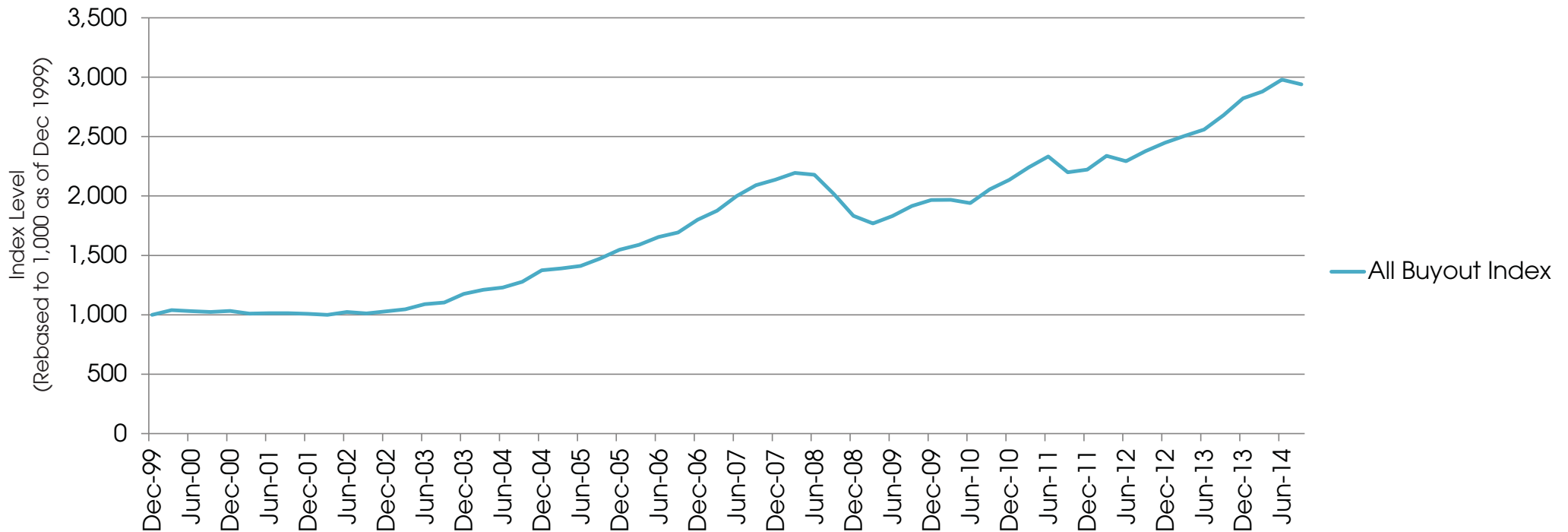
Methodology

The Preqin Private Equity Committed Capital Index

Highlights:

- First index to track private equity buyout performance data using a committed capital model
- Unitized index aggregates committed capital performance of all buyout funds covered
- Observes the local currencies of the fund; converts to US dollars
- Objective measure of performance similar to securities

Preqin Private Equity Committed Capital Index: Historical Performance



The Preqin Private Equity Committed Capital Index

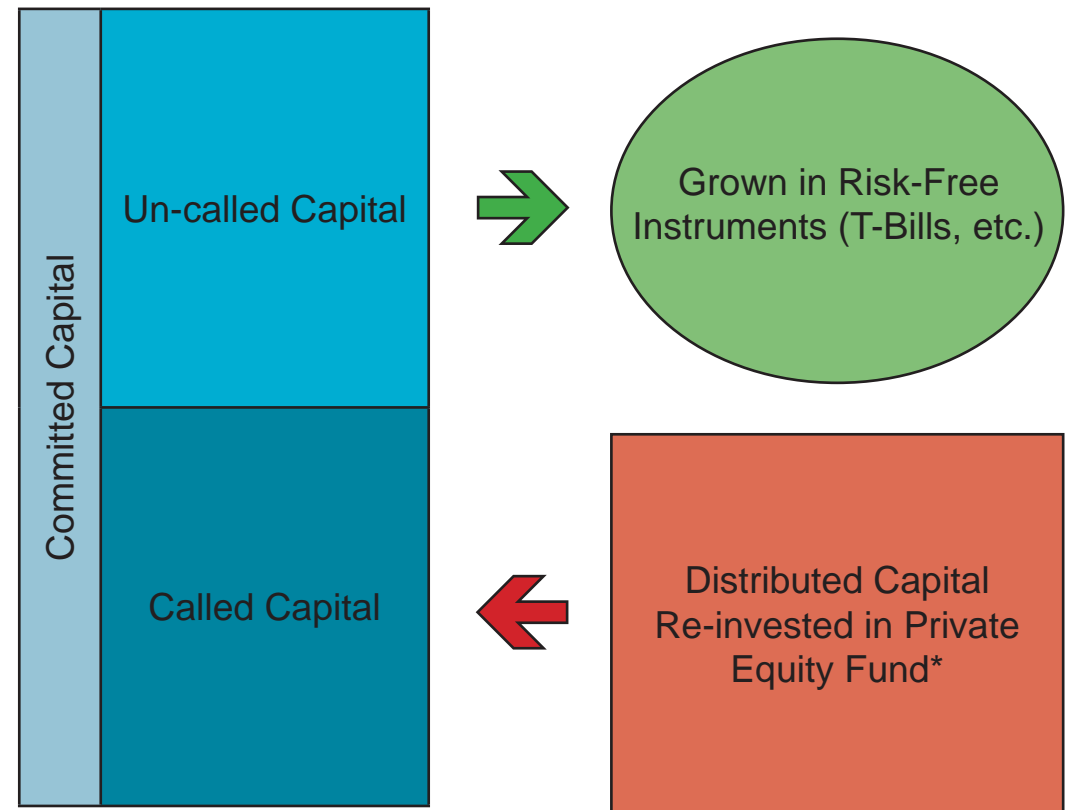
Overview:

The Preqin Private Equity Committed Capital Index (Preqin PECC Index) captures in an index the net performance of buyout funds on a committed capital basis. The Preqin PECC Index aims to represent the returns on committed capital by including the actual amount of money invested in private equity partnerships as well as returns that the dry powder will generate if invested on a risk-free basis.

Any capital distributed back to investors from fund managers is then assumed to be re-invested in the fund. Re-investment is effected by using distribution proceeds to repurchase outstanding fund-linked feeder shares.

Preqin Private Equity Committed Capital Index:

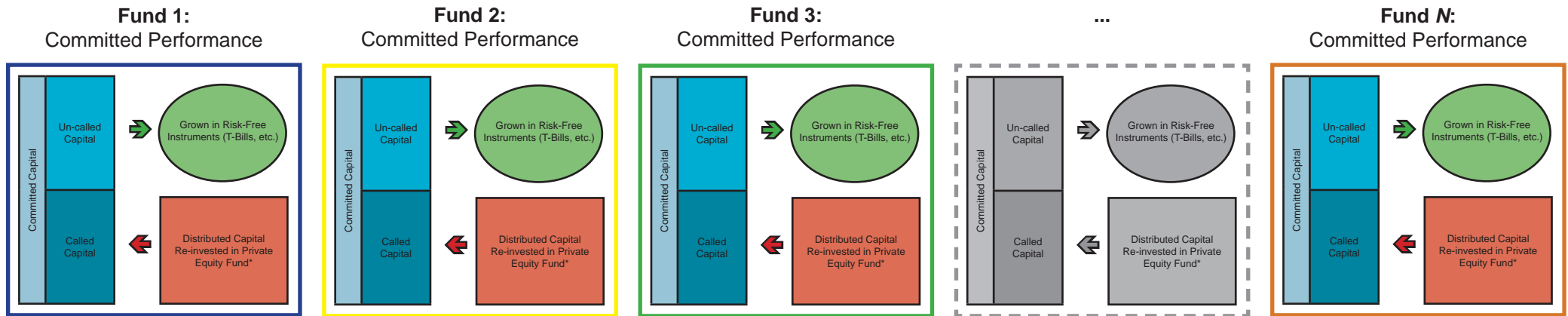
Illustrative example of cash flow for a member fund indexed



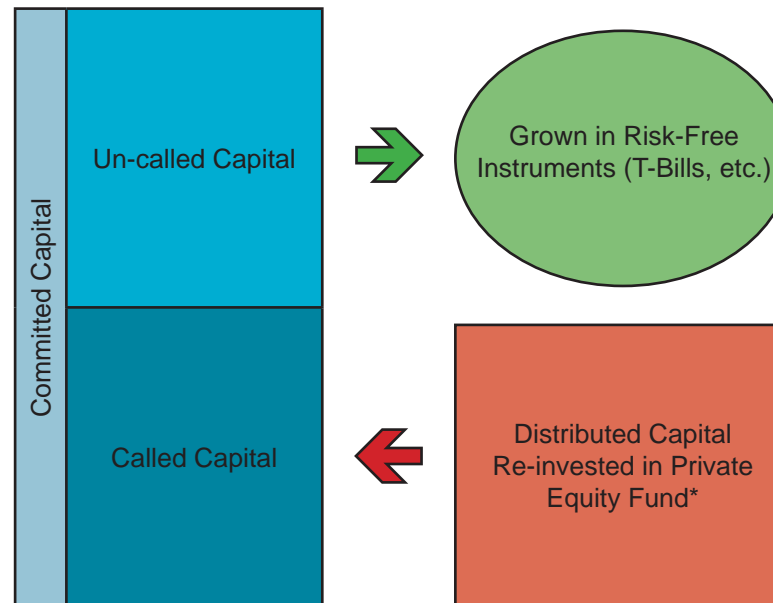
**Where "re-investment" is effected by using distribution proceeds to repurchase outstanding fund-linked feeder shares*

The Preqin Private Equity Committed Capital Index

Illustrative example of the Preqin Private Equity Committed Capital Index Model:



Aggregated committed performance of fund universe



The Preqin Private Equity Committed Capital Index

Methodology:

Preqin has created the industry's first Preqin Private Equity Committed Capital Index (Preqin PECC Index) capturing the performance of private equity buyout funds using:

- Capital committed at the beginning of the fund life
- Capital invested each quarter
- Distributions returned at each quarter
- Fund net asset value (NAV)

The index uses the capital committed at the beginning of the fund life with any capital drawn down for investment regarded as at risk, while any capital that has not been invested (the dry powder) is grown at the risk-free rate. The net asset value of the fund is also treated at risk and once the fund comes to the end of its life it is kept in the index until it is fully liquidated.

Fund currencies are converted from the local currency into US dollars.

The Preqin Private Equity Committed Capital Index

Data Coverage:

The Preqin Private Equity Committed Capital Index (Preqin PECC Index) uses data from Preqin's Private Equity Cash Flow Data:

- Only data from private equity funds classified as buyout is used
- Comprised of fund-level cash flow data for almost 900 funds
- Represents over \$1 trillion in raised capital
- Over 59,000 cash flow events and NAV data points
- First cash flow transaction dates from 1980
- Covers the full spectrum of the buyout industry