Private Equity Performance Report

Fund Performance Data as of Q1 2012

November 2012

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Fund Performance Data as of Q1 2012

Preqin currently holds transparent net-to-LP performance data for over 6,000 private equity funds of all types and geographic focus, representing 70% of all funds ever raised by the industry in terms of aggregate value. Using data from Performance Analyst, Preqin has analyzed the returns generated by private equity partnerships as of 31st December 2011 in order to provide an independent and unbiased assessment of the performance of the private equity industry.

For more information on Performance Analyst, the private equity industry's leading source of fund performance data, please visit: www.preqin.com/pa

1. Private Equity Horizon IRRs

1.1. Horizon IRRs by Fund Type

The one-, three-, five- and ten-year horizon returns as of 31st March 2012 for some of the main private equity fund types are shown in Fig. 1.1. Across all horizon periods shown, all private equity fund types examined are showing positive returns. Over the one-year period, buyout funds have the highest returns of 10.4%, with all other fund types, and private equity as a whole, having returns ranging between 7.3% and 9.4%.

Buyout funds also have the highest horizon returns over the three- and five-year periods, with 20.3% over three years and 6.5% across the five-year period. Over these periods, the returns of private equity as a whole closely track those of buyout funds because, since the rise to prominence of mega-sized vehicles, buyout funds have made up the majority of capital in the industry.

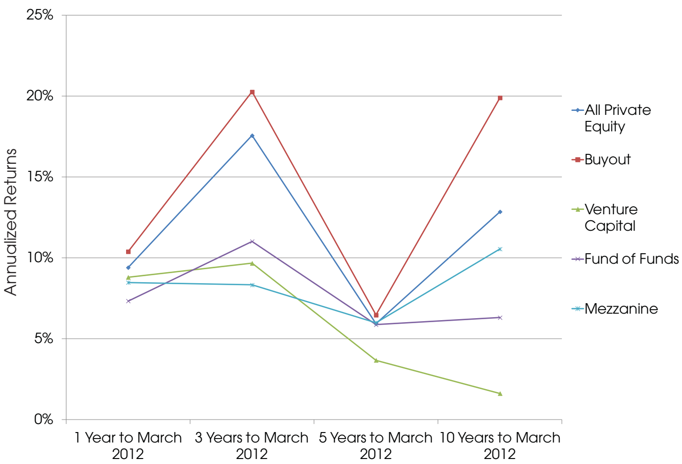
However, there is a larger gap between buyout funds and the industry as a whole over the ten-year horizon. This period began before the buyout boom, and as such buyout funds constituted a lower proportion of the overall capital in the industry. The ten-year horizon returns stand at 19.9% for buyout funds and 12.8% for all private equity as of March 2012.

1.2. Private Equity Performance vs. Public Indices

The annualized returns over the one-, three-, five- and ten-year periods for private equity, and those for a selection of public indices, are illustrated in Fig. 1.2. Across the one-year period to 31st March 2012 private equity has returns of 9.4%, while the figures stand at 17.6% over three years, 5.9% over five years, and 12.8% over the ten-year period.

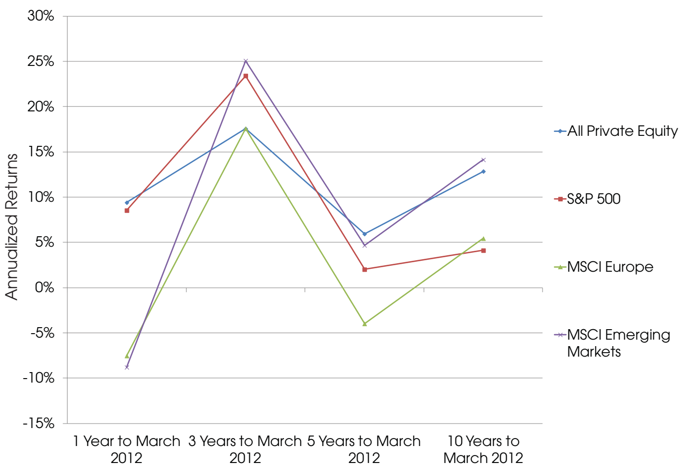
Returns for the public indices show that over the one-year horizon the S&P 500, like private equity, is in the black, posting a return of 8.5%, but the MSCI Europe and MSCI Emerging Markets indices are both in the red.

Fig. 1.1: Private Equity Horizon IRRs as of 31st March 2012



Source: Preqin Performance Analyst

Fig. 1.2: Private Equity Horizon IRRs vs. Public Indices as of 31st March 2012



Source: Preqin Performance Analyst

The three-year returns for the public indices are all in the black, with the S&P 500 and MSCI Emerging Markets outperforming private equity and MSCI Europe. Over five years, MSCI Europe has negative returns, while private equity and MSCI Emerging Markets post similar returns. Across the 10-year horizon, MSCI Emerging Markets generated 14.1%, slightly more than private equity, while the other two indices posted returns significantly below this level, with MSCI Europe returning 5.4% and the S&P 500 returning 4.1%.

It should be noted that any comparisons made between private equity and public markets should be viewed with caution and in the correct context. As the private equity asset class is illiquid and investors' capital is locked up over a long period of time, the horizon returns are not as relevant for private equity as they are for listed equity.

1.3. Rolling One-Year Horizon IRRs

Fig. 1.3 displays the rolling one-year horizon IRRs from March 2009 to March 2012 for buyout funds, venture capital funds, and private equity as a whole. It is noticeable that the March 2012 figures across the industry are up on the December 2011 figures, particularly for buyout funds, for which the one-year horizon returns have risen from 8.4% to 10.4%. All private equity is up from 9.2% in the year to December 2011 to 9.4% in the year to March 2012, while one-year venture capital returns have risen from 8.4% to 8.8%.

From the graph it can be seen that returns for buyout funds and all private equity follow each other closely. Buyout funds account for the largest amount of capital in the private equity fund industry and so it is no surprise to see such a high correlation. Venture funds follow a similar pattern but to a lesser extent, with smaller losses during the downturn and smaller gains once the industry began to recover.

1.4. Buyout Fund Horizon IRRs by Fund Size

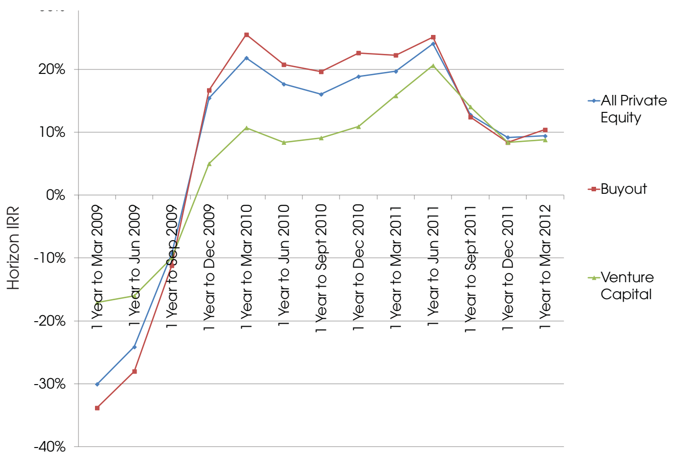
The horizon returns for buyout funds by size through March 2012 are shown in Fig. 1.4. Small buyout funds are generating the highest returns of 13.7% over the one-year period. Mega buyout funds have significantly outperformed the other three groups over the three-year period, with a horizon IRR of 22.0%; however, these funds incurred greater losses following the financial crisis than smaller buyout funds.

Across the five-year timeframe, small buyout funds are once again the best performing group, with a horizon IRR of 11.7%, while the figures stand at 8.9% for mid-market funds, 8.5% for large funds and 5.3% for mega funds.

1.5. Regional Horizon IRRs

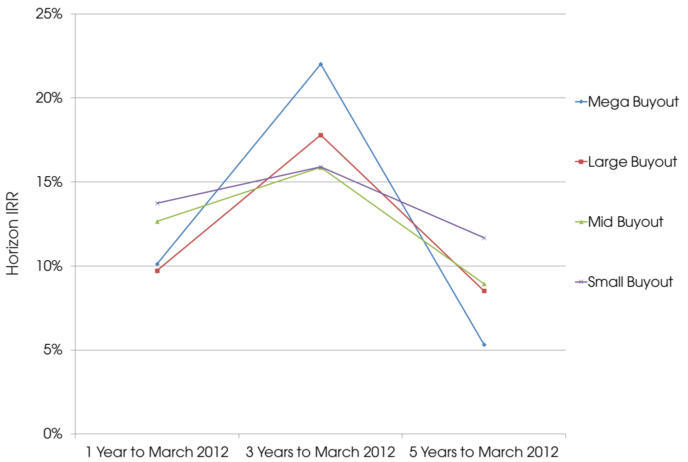
Horizon returns for funds primarily focusing on each of North America, Europe and Asia are shown in Fig. 1.5. It can be seen that one-year returns for primarily Asia-focused funds through March 2012 stand at 1.8%, with North America-focused funds at 9.3% and Europe-focused funds at 12.5%. Returns over the three-year period are the highest of the time horizons shown, with Europe-focused funds generating 20.9%, North America-focused funds 17% and Asia-focused funds 14.1%. Across the five-year period European funds post returns of 6.7%, North American funds 5.9% and Asian funds 3.9%.

Fig. 1.3: Rolling One-Year Horizon IRRs



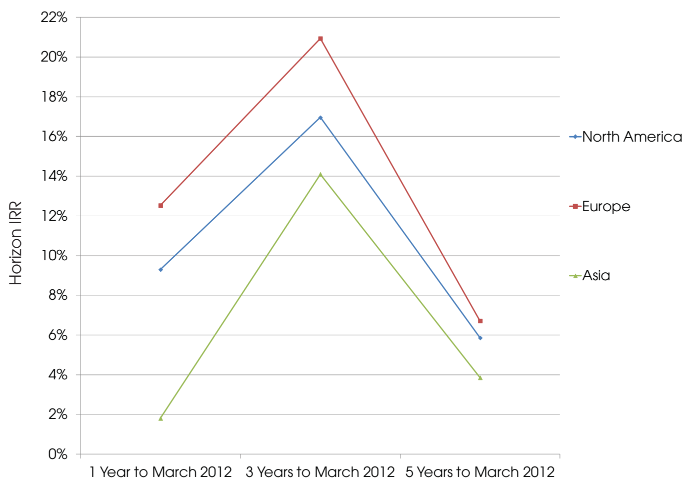
Source: Preqin Performance Analyst

Fig. 1.4: Buyout Fund Horizon IRRs by Size* as of 31st March 2012



Source: Preqin Performance Analyst

Fig. 1.5: Horizon IRRs by Fund Primary Regional Focus as of 31st March 2012



Source: Preqin Performance Analyst

* Size Ranges:
Vintage 1992-1996: Small Buyout ≤ $200mn, Mid Buyout $201-500mn, Large Buyout > $500mn
Vintage 1997-2004: Small Buyout ≤ $300mn, Mid Buyout $301-750mn, Large Buyout $751mn-$2bn, Mega Buyout > $2bn
Vintage 2005-2012: Small Buyout ≤ $500mn, Mid Buyout $501mn-$1.5bn, Large Buyout $1.51-4.5bn, Mega Buyout > $4.5bn

2. Changes in NAV

2.1. All Private Equity - Change in NAV by Quarter

Fig. 2.1 shows the average quarterly changes, weighted and non-weighted, in net asset value (NAV) for all private equity funds between June 2011 and March 2012. The weighted metric incorporates the fund size into the methodology, allowing larger funds to have a greater impact. It can be seen that although the all private equity NAV increased during Q2 2011, values fell during the following quarter, with a weighted decrease of 5.1% and a non-weighted decrease of 2.8%. The subsequent two quarters did however see positive changes in NAV.

The most recent quarter shown, Q1 2012, has the highest increase in NAV of any of the quarters displayed in the chart, with a non-weighted increase of 4.3% and a weighted increase of 5.7%, which suggests that the larger funds outperformed the smaller funds during this quarter.

2.2. Quarterly Change in NAV by Fund Type

The average quarterly changes by fund type are shown in Fig. 2.2. The chart presents a similar picture to the changes in NAV for all private equity as a whole; increases in values are evident in the second quarter of 2011, followed by declines in Q3 2011 for several fund types, including buyout, venture, and fund of funds. Nevertheless, the final quarter of 2011 and first quarter of 2012 saw increases in values across all fund types.

A particularly strong quarter-on-quarter increase in NAVs was evident in Q1 2012, with buyout and venture demonstrating average increases in NAVs of 5.1% and 4.2% respectively. Fund of funds and secondaries had average increases of 3.0% and 1.7% respectively in Q1 2012. It is important to note that due to the reporting schedules of these two fund types, their valuations generally lag other fund types by a quarter.

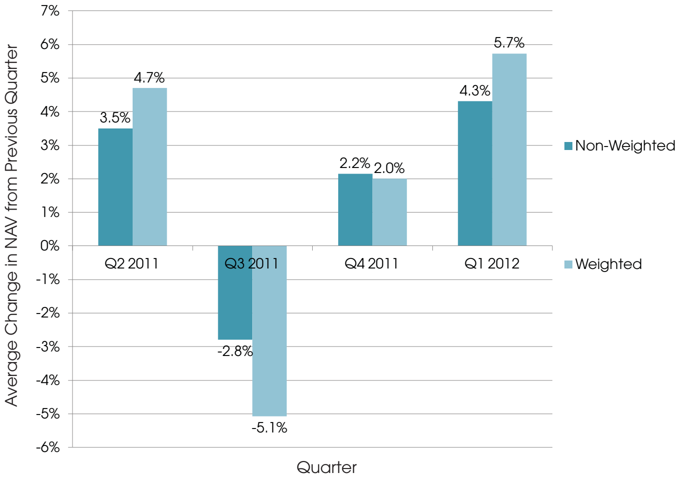
2.3. Quarterly Change in NAV by Buyout Fund Size

Fig. 2.3 shows the quarterly changes in NAV by buyout fund size. It can be seen that while all size groups reported positive average NAV changes in Q2 2011, each group posted negative average changes in the following quarter, with the European sovereign debt crisis likely having an impact.

During these two quarters, mega and large buyout funds saw the largest fluctuations in their valuation figures. These larger fund sizes typically use more leverage within their investments than the smaller buyout funds.

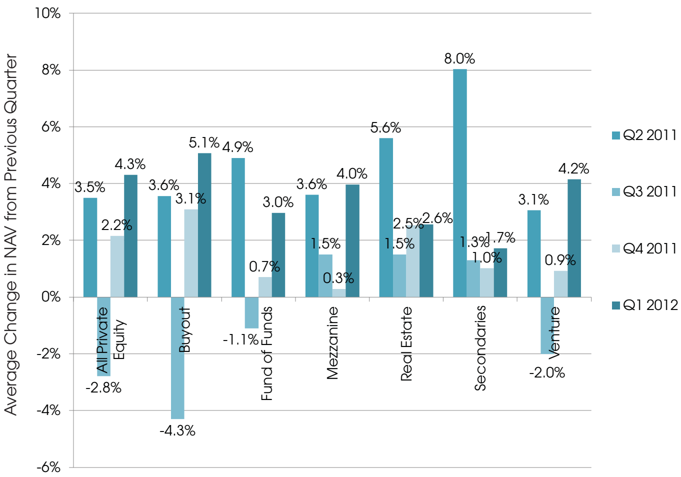
Q4 2011 and Q1 2012 saw quarter-on-quarter increases in NAV for all fund size groups. Particularly noticeable were the large and mega groups in Q1 2012, with valuation increases of 6.6% and 5.7% respectively.

Fig. 2.1: All Private Equity - Change in NAV by Quarter



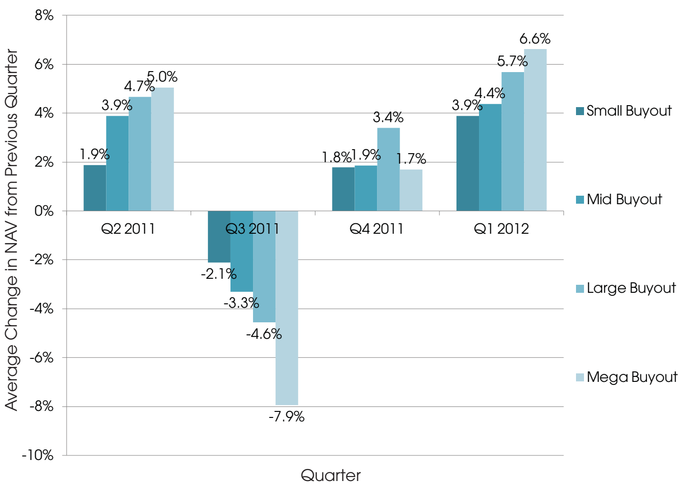
Source: Preqin Performance Analyst

Fig. 2.2: Quarterly Change in NAV by Fund Type (Non-Weighted)



Source: Preqin Performance Analyst

Fig. 2.3: Quarterly Change in NAV by Buyout Fund Size* (Non-Weighted)



Source: Preqin Performance Analyst

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3. Listed Private Equity Funds: Trends and Developments

The listed private equity market offers an alternative to the traditional closed-ended private equity fund model, with investors able to gain exposure to private equity via a more liquid method without the need to commit large sums of capital. Listed private equity vehicles often report their results earlier than unlisted private equity funds and can therefore act as an indicator as to the performance of more traditional private equity funds.

3.1. Average Change in NAVPS and Share Price of Listed Private Equity by Quarter

The quarterly changes in net asset value per share (NAVPS) and market prices for listed private equity are shown in Fig. 3.1. The average share price decreased in each of the first three quarters of 2011, but in Q4 2011 and the first two quarters of 2012, share prices experienced successive quarterly increases. The NAVPS also underwent average quarterly increases in Q4 2011, Q1 2012 and Q2 2012 of 0.2%, 8.06% and 1.09% respectively. Usually, the average change in share prices fluctuates more than the average change in NAVPS, but in Q1 2102, the average increase in NAVPS was significantly higher.

4. Performance by Vintage

4.1. Median Net IRRs by Fund Type

Fig. 4.1 shows the median net IRRs as of 31st March 2012 by vintage year for buyout funds, venture funds, real estate funds and private equity funds as a whole. The highest venture fund median IRR is seen with vintage 1997 funds, but more recent vintages have much lower median IRRs, following the bursting of the dot-com bubble. The median net IRR for buyout funds is at its highest for vintage 2001 funds, which have a median return of 25.1%.

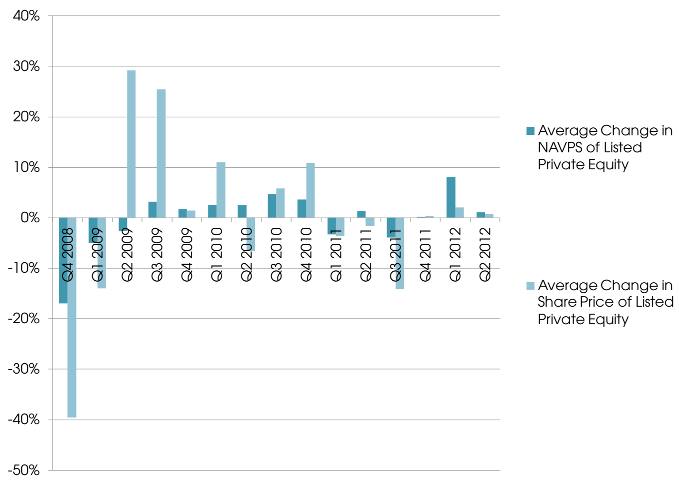
Vintage 2005 and 2006 real estate funds are currently showing negative median IRRs as these funds were among the most affected during the market turmoil of 2008 and 2009.

For vintage year 2009, median returns across all fund types range between 4.2% and 15.8%, but these funds are still early in their fund lives and returns are likely to change as fund managers seek to add value to their investments.

4.2. J-Curves of Net IRR

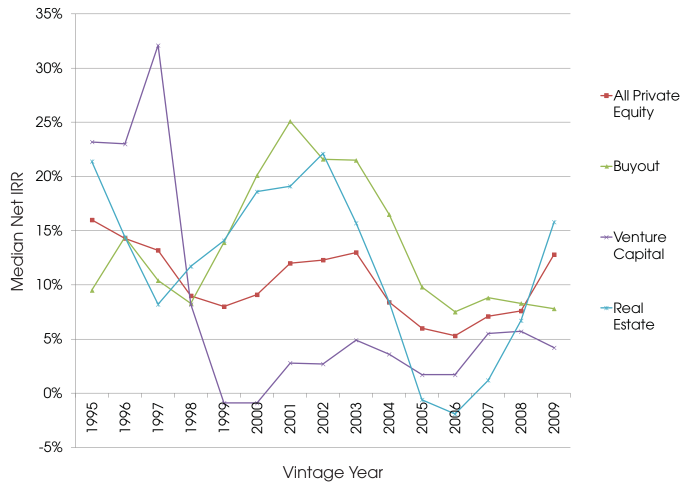
Fig. 4.2 shows private equity 'J-curves' by vintage year. J-curves show the trajectory of private equity returns over the life of a fund and are found by plotting the median net IRR for each vintage year at each quarter-end. In the early part of a typical private equity fund's life, returns tend to be in the red and then transition into positive territory as the investment cycle progresses and fund managers add value to their investments and begin to distribute capital back to investors. For all vintages in the sample, median net IRRs are positive as of 31st March 2012.

Fig. 3.1: Average Change in NAVPS and Share Price of Listed Private Equity by Quarter



Source: Preqin Performance Analyst

Fig. 4.1: Median Net IRRs by Fund Type as of 31st March 2012

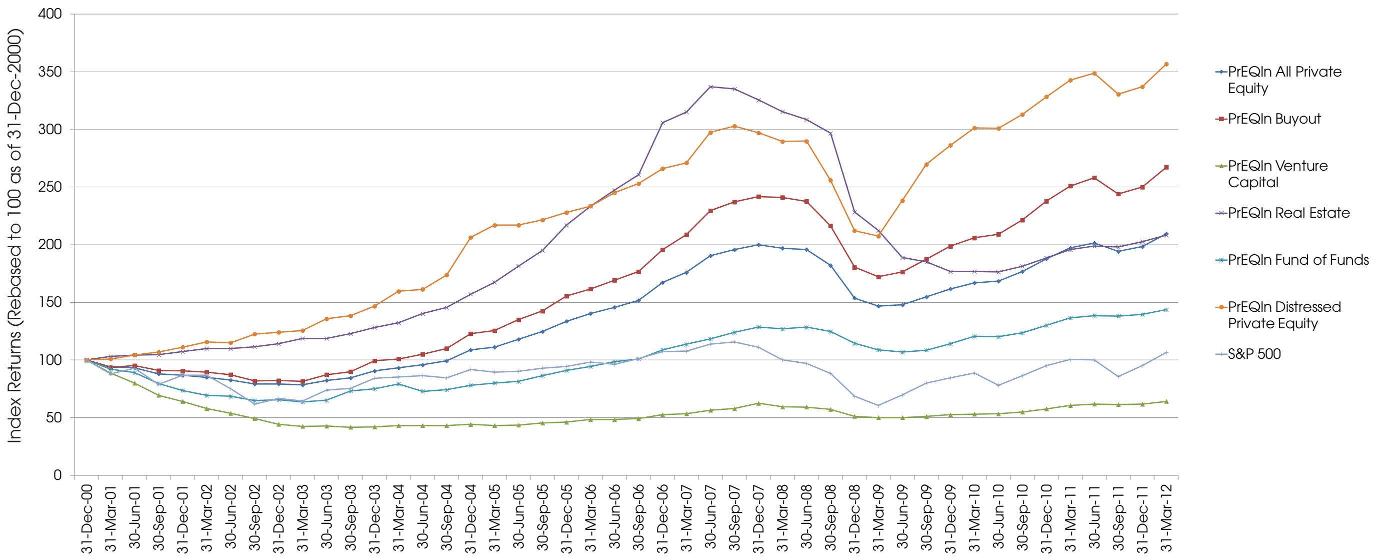


Source: Preqin Performance Analyst

Fig. 4.2: All Private Equity - J-Curve: Annual Median Net IRRs by Vintage

Source: Preqin Performance Analyst

Fig. 5.1: PrEQIn Index: All Strategies



Source: 2012 Preqin Performance Analyst

The trajectories of vintage 2005 and 2006 funds resemble 'W-curves' as a result of the turmoil in the financial markets during 2008 and 2009, when funds experienced sharp falls in portfolio valuations, followed by increases as markets recovered. Vintage 2009 funds are currently showing a median IRR of 12.8% and it is noticeable that median returns for this vintage moved into the black towards the end of the first year of investment, whereas the majority of the other vintages achieve this at a later stage in their investment cycles.

5. PrEQIn Index

5.1. PrEQIn Private Equity Quarterly Index

The PrEQIn All Private Equity, Buyout, Venture Capital, Real Estate, Fund of Funds and Distressed Private Equity Indices together with the S&P 500 rebased to 100 as of 31st December 2000 are shown in Fig. 5.1. An examination of these indices gives an insight into the performance of the main private equity fund types in comparison to each other and to the industry as a whole. It is important to note that the last two quarters are subject to change, with the former being in the advanced stages and the latter being in the early stages of data collection.

All of the PrEQIn Indices show an increase in the first quarter of 2012, with the PrEQIn Buyout and PrEQIn Distressed Private Equity Indices showing the largest increases of 6.9% and 5.9% respectively. The PrEQIn All Private Equity Index increased by 5.7% in Q1 2012. The best performing private equity strategy since December 2000 is distressed PE; the PrEQIn Distressed Private Equity Index currently stands at 356.8, followed by the PrEQIn Buyout Index at 267.3. The PrEQIn Real Estate, Fund of Funds and Venture Capital Indices currently stand at 208.4, 143.6 and 64.2 respectively. The S&P 500 stands at 106.7 of 31st March 2012, demonstrating how most private equity strategies have provided higher returns over the period shown. It is important however, to view these returns in context, as private equity is an illiquid asset class with capital locked up over a long period of time, and is also deemed to be higher risk than traditional asset classes.

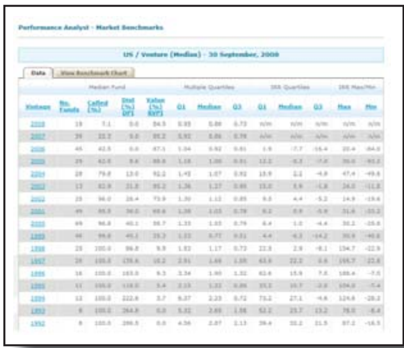
Preqin Private Equity Performance Analyst

Performance Analyst is the most comprehensive, detailed source of private equity performance data available today. Preqin's team of analysts collect and monitor data from a number of different sources, including from GPs themselves, in order to provide the most comprehensive private equity performance data available.

All of our performance data conforms to the same standardized metrics, with all data representing net-to-LP returns. We currently hold transparent net-to-LP performance data for over 6,000 private equity funds of all types and geographic focus. In terms of aggregate value, this represents around 70% of all capital ever raised.

This high level of coverage enables us to produce the most meaningful benchmarking and comparative tools available in the industry.

Key features of this powerful database include:



- View performance data online: for private equity funds worldwide. Compare individual funds against each other and the appropriate benchmarks.
- Compare funds of all types: venture, buyout, mezzanine, distressed, special situations, real estate, natural resources, fund of funds, secondary.
- Assess key performance data for each fund: size, vintage, type, called-up, distributed, unrealised value, multiple, IRR.
- View historic performance for over 36,000 data points to assess how performance data has changed overtime (Premium access required).
- Keep current with developments: with monthly updates you always have access to the latest data.
- View cash flow graphs for over 2,100 funds: assess how quickly funds have called and distributed capital and what their net cash flow position is.
- Select, compare and analyze funds according to your criteria: by type, size, vintage year etc.
- Assess each firm's long-term track record: quartile performance over several fund generations.
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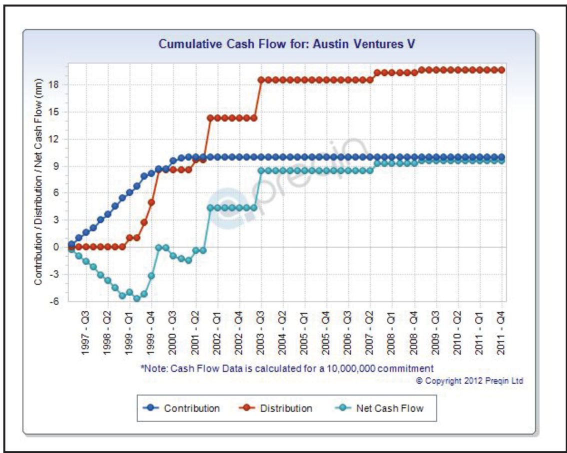
- Top performing GPs: view a list of firms that have consistently had funds ranked in the 1st and 2nd quartiles.
- Unlimited Excel downloads for further analysis (Premium access required).
- Create a tailored peer group of funds for comparative purposes.



Apollo Investment Fund V

Data | Cash Flow Charts | Historic Data | Portfolio Companies

Fund Details

Vintage	Type	Size (Mn)	Firm	As At:	Quartile:
2001	Buyout	3,742 USD	Apollo Global Management	30-Sep-2011	1st

Industry Focus: Diversified

Location Focus: North America, US

Performance Overview

	Called (%)	Distributed (%) DPI	Rem. Value (%) RVPI	Multiple (X)	Net IRR (%)
Apollo Investment Fund V	92.7	223.9	40.1	2.64	38.1
Median Fund: 2001 / US / Buyout	95.7	171.9	28.6	1.89	24.4
Apollo Investment Fund V vs Median	-2.9	52.0	11.5	0.75	13.7

Performance Analyst (Standard)
USD 2,150 / EUR 1,550 / GBP 1,295

Performance Analyst (Premium)
USD 4,295 / EUR 3,075 / GBP 2,595

For a demo or to find out more about this product, please visit **www.preqin.com**

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- Fund Performance
- Fundraising
- Investor Profiles
- Fund Terms
- Fund Manager Profiles
- Buyout Deals
- Employment and Compensation

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If you have any comments on this report, please contact: **info@preqin.com**

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