



Private Equity Performance Report

Fund Performance Data as of Q3 2010

April 2011

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Using data from Performance Analyst, Preqin has analyzed the returns generated by private equity partnerships as at 30 September 2010 in order to provide an independent and unbiased assessment of the industry's performance. Preqin currently holds transparent net-to-LP performance data for over 5,300 private equity funds of all types and geographic focus. In terms of aggregate value, this represents around 70% of all capital ever raised by the 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 IRR

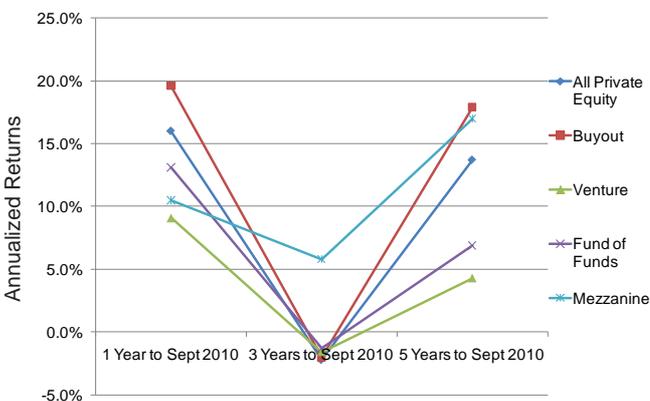
1.1. Horizon IRR by Fund Type

Fig. 1.1 illustrates the annualized returns across various private equity strategies for the one-, three- and five-year horizon periods. The one-year returns to September 2010 are in the black across all strategies, with buyout funds generating a return of 19.6%, fund of funds 13.1%, mezzanine 10.5% and venture 9.1% across this period.

Examining the returns over the three-year period shows that all the strategies are in the red, with the exception of mezzanine vehicles, which posted a return of 5.8%, while fund of funds posted -1.3%, venture -1.6% and buyout -2.0%.

Over the five-year horizon, the annualized returns stand at 17.9% for buyout, 17.0% for mezzanine, 6.9% for fund of funds, and 4.3% for venture.

Fig. 1.1: Private Equity Horizon IRRs as of 30 Sept 2010



Source: Preqin

1.2. Private Equity Performance vs Public Indices

Fig. 1.2 displays the returns of the private equity industry together with those of the S&P 500, MSCI Europe and MSCI Emerging Markets across the one-, three- and five-year horizon periods through September 2010. Any comparison made between private equity funds and listed equities should be viewed with caution. The private equity asset class is illiquid and investors are committed over a long period of time and so these returns are not as relevant as they are for the listed markets.

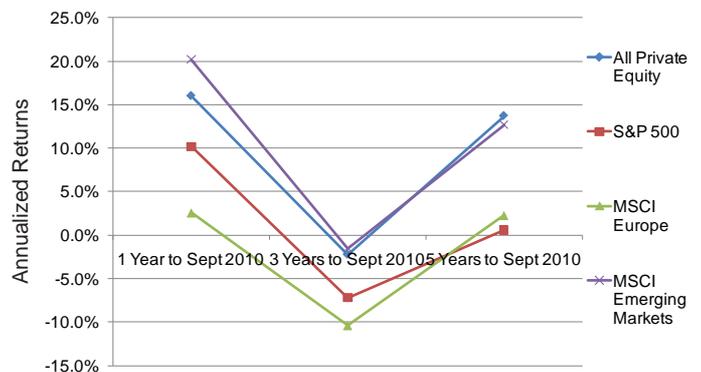
The one-year return for the private equity industry stands at 16.0%, the three-year return is -2.2% and the five-year return is 13.7%. Over the three- and five-year periods to September 2010, private equity returns are similar to those of the MSCI Emerging Markets index and are significantly higher than the S&P 500 and MSCI Europe.

Over the one-year period, the S&P 500 returned 10.2%, MSCI Europe 2.6% and MSCI Emerging Markets 20.2%. All the indices posted a negative return for the three-year time frame and are all in the black over the five-year period.

1.3. Rolling One-Year Horizon IRRs

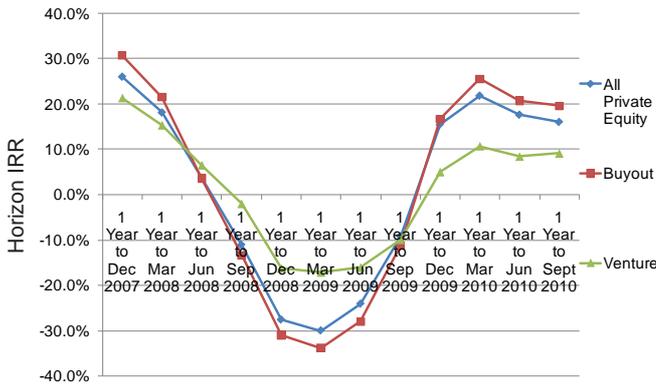
Fig. 1.3 illustrates the annualized rolling one-year returns from December 2007 through September 2010. Overall private equity returns stood at 26.0% in December 2007, with an annualized return of 30.7% for buyout funds and 21.3% for venture funds. The one-year returns reached their lowest point in March 2009 and since December 2009 the horizon IRRs have been positive.

Fig. 1.2: Private Equity Horizon IRRs vs. Public Indices as of 30 Sept 2010



Source: Preqin

Fig. 1.3: Rolling One-Year Horizon IRRs



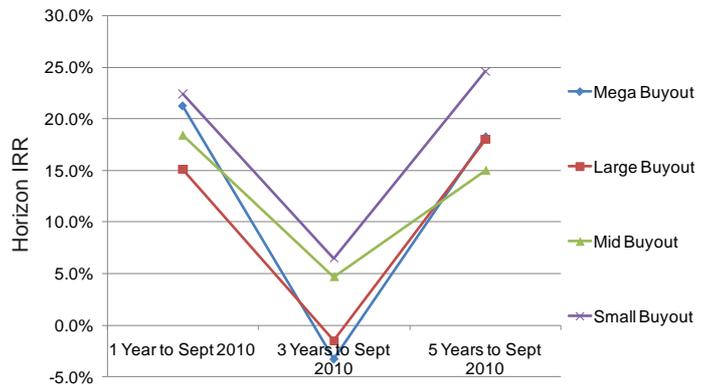
Source: Preqin

The majority of capital in the private equity industry is held by buyout vehicles and therefore the returns of buyout funds and the industry itself are closely related. Venture funds show a similar trend, although their rolling one-year horizon IRR has not fluctuated as much as the buyout fund rolling horizon IRR over the period shown.

1.4. Buyout Fund Horizon IRRs by Size

Fig. 1.4 analyzes the returns of the buyout industry by fund size: mega, large, mid-market and small. Returns over the one-year period are all in the black, with small buyout funds posting returns of 22.4%, mega 21.2%, mid-market 18.4% and large 15.1%. Looking at the three-year time period shows that mega and large funds posted returns of -3.3% and -1.5% respectively, whereas small buyout funds returned 6.5% and mid-market funds 4.7%. Returns across the five-year period are all positive, with small buyout funds posting an annualized return of 24.6%, mega 18.2%, large 18.0% and mid-market 15.0%.

Fig. 1.4: Buyout Fund Horizon IRRs by Size as of 30 Sept 2010



Source: Preqin

2. Private Equity NAV

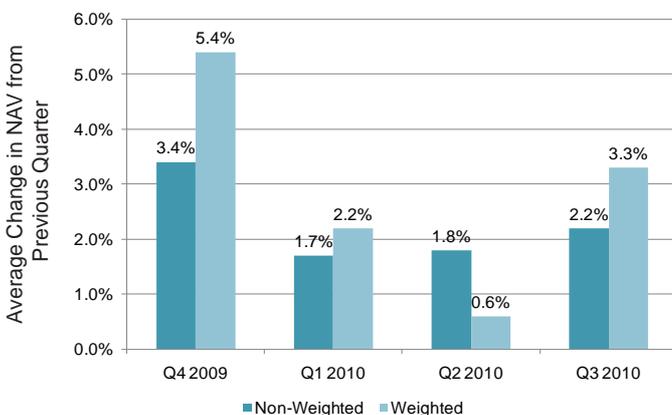
2.1. All Private Equity Change in NAV by Quarter

Fig. 2.1 illustrates the change in net asset value (NAV) between successive quarters from December 2009 to September 2010. The weighted change in NAV takes into consideration the fund size. It can be seen that the valuations of private equity funds have increased for each quarter shown. The non-weighted value for the quarter to September 2010 shows an increase of 2.2%, while the weighted metric for Q3 2010 shows an increase of 3.3%, suggesting that the larger funds in the industry have experienced a larger increase in their NAVs than the smaller funds. It is important to note that previously the larger funds were more affected by the financial downturn.

2.2. Annual Weighted Change in NAV by Fund Type

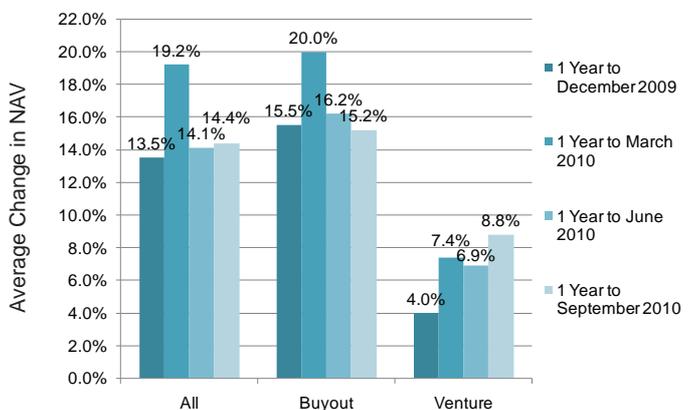
The one-year change in weighted NAV as at each quarter from December 2009 to September 2010 is shown in Fig. 2.2.

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



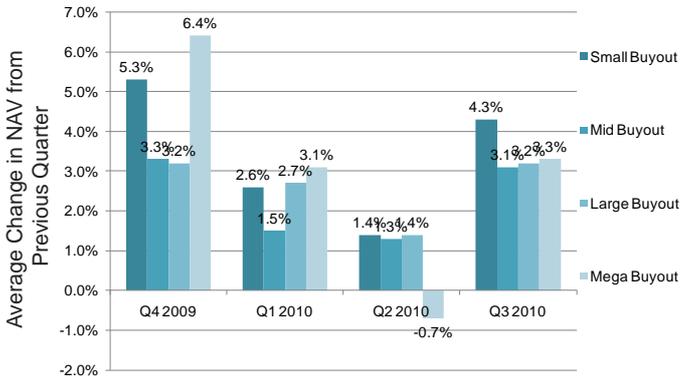
Source: Preqin

Fig. 2.2: Annual Weighted Change in NAV by Fund Type



Source: Preqin

Fig. 2.3: Quarterly Change in NAV by Buyout Fund Size



Source: Preqin

All private equity reported an increase in valuation in the year to September 2010: buyout funds reported an increase of 15.2% and venture 8.8%. Overall, the private equity industry has shown a one-year increase of 14.4% to September 2010. It can be seen in the graph that the largest one-year increase for private equity overall for the periods shown occurred in March 2010; this is no surprise as returns for the industry bottomed out in March 2009.

2.3. Quarterly Change in NAV by Buyout Fund Size

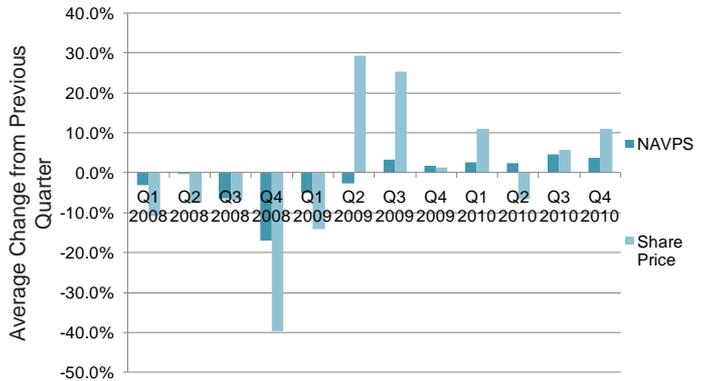
Fig. 2.3 shows the change in net asset value of the different buyout fund size groups in each quarter from Q4 2009 to Q3 2010. Small buyout funds show the largest increase in Q3 2010 (4.3%), while mega funds posted an increase of 3.3%, large funds 3.2% and mid-market funds 3.1%.

Mega and large buyout funds typically use more leverage for investments than smaller funds. The larger fund types were affected more severely by the credit crunch and so the returns for these types of funds decreased more than for funds using less leverage, meaning they have had more ground to make up since. Small and mid-market funds generally use less debt in their transactions and so have showed smaller variations in their NAV during and since the downturn.

3. Listed Private Equity: Trends and Developments

Listed private equity funds are traded daily and regularly publish their annual reports earlier than unlisted private equity funds. The performance of listed and unlisted private equity funds are comparable and by analyzing the performance figures published by listed private

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



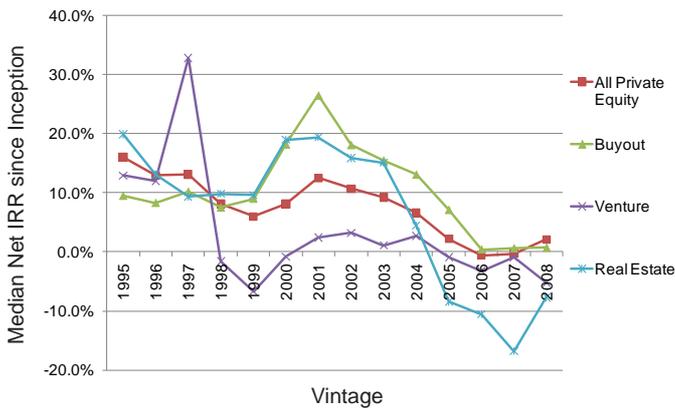
Source: Preqin

equity funds, we can obtain an indication of the likely performance to be reported by unlisted private equity funds during the same period.

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

Fig. 3.1 shows the average quarterly changes in net asset value per share (NAVPS) and the share price of listed private equity funds. Due to the financial crisis, Q4 2008 and Q1 2009 saw the biggest drop in share prices during the period shown. Share prices have experienced average quarterly increases from Q2 2009 onwards, with the exception of Q2 2010, and net asset value per share has seen average quarterly increases in every quarter from Q3 2009 onwards.

Fig. 4.1: Median Net IRRs by Fund Type as of 30 Sept 2010



Source: Preqin

4. Performance by Vintage

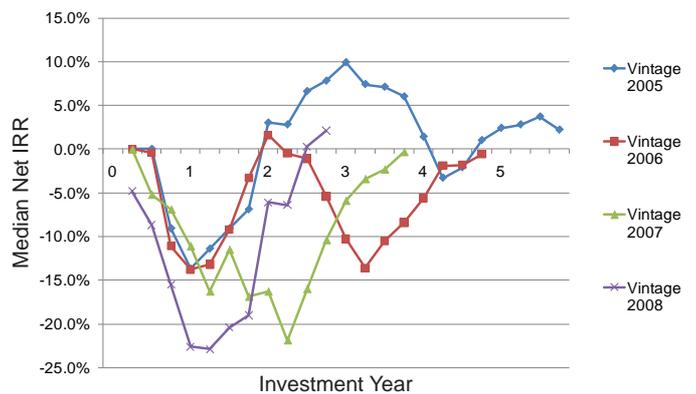
4.1. Median Net IRR by Fund Type

The benchmark median net IRRs as of Q3 2010 for the main private equity strategies by vintage year are shown in Fig. 4.1. The highest median IRR is achieved by vintage 1997 venture funds, with a median return of 32.8%. For vintages following the dot-com crash, median venture fund IRRs have been considerably lower. The highest median net IRR achieved by buyout funds is for vintage 2001 funds, with a return of 26.5%. All the median returns for buyout funds of the vintages shown are in the black, with the lowest median IRR of 0.4% posted by vintage 2006 funds. The returns for vintages after 2006 are lower because they have been affected by the financial crisis. However, it is important to take into consideration that these funds are still in the early stages of their investment life cycles and their returns could improve as GPs add value to their investments.

4.2. J-Curves of Net IRR

Fig. 4.2 shows 'J-curves' for private equity funds of vintages 2005 to 2008 by plotting the median net IRRs as at each quarter-end. During the first few years of a private equity fund's life cycle, returns are typically in the red. As value is added to investments, IRRs will begin to increase, before tailing off as a fund reaches the end of its life, resulting in a 'J-curve' trajectory. Since the financial crisis, IRRs have trajectories better described as 'W-curves' due to a fall in returns. This is well illustrated by the vintage 2006 J-curve: the median net IRR for 2006 vintage funds briefly reached positive territory before falling into the red again as a result of the downturn. Returns have since improved, and the median IRR is close to becoming positive again. Vintage 2005 and 2008 funds show Q3 2010 median returns of 2.2% and 2.1%

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



Source: Preqin

respectively. It is important to remember that the later vintages are still in the early stages of their investment cycles and these funds have time to improve their returns.

Data Source:

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 today.

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 5,300 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, unrealized value, multiple, IRR.

View historic performance: for over 15,000 data points to assess how performance data has changed over time (Premium access required).

Keep current with developments: with monthly updates you always have access to the latest data.

View cash flow graphs for over 1,700 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.

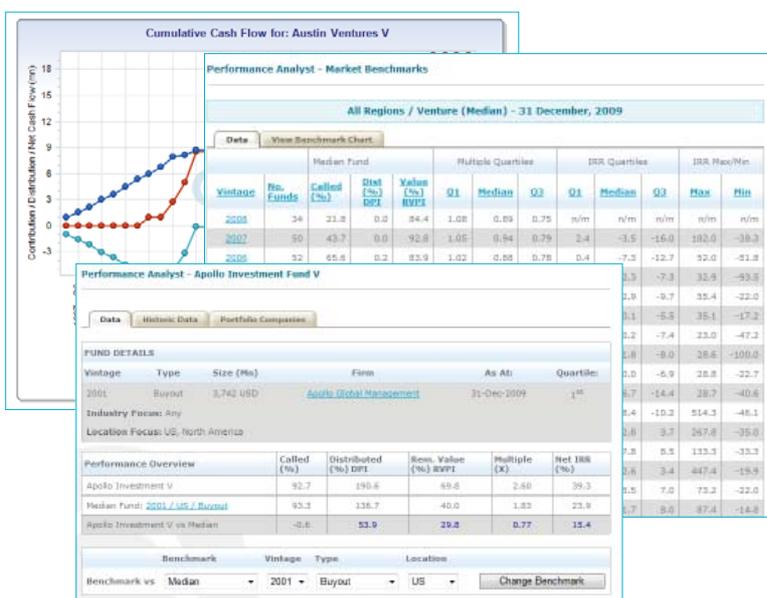
Assess each firm's long-term track record: quartile performance over several fund generations.

Median, pooled, weighted and average benchmarks: view fully transparent market benchmarks by fund type and region focus. Benchmark data for called-up, distributed, unrealized value, and top, median and bottom quartile IRRs and multiples.

Top performing GPs: view a list of firms that have consistently had funds ranked in the 1st and 2nd quartiles.

Download: data to spreadsheet for further analysis (Premium access required).

Create a tailored peer group: of funds for comparative purposes.



Performance Analyst (Standard) \$1,950 / €1,375 / £1,150

Performance Analyst (Premium) \$3,950 / €2,825 / £2,350

For more information, please visit www.preqin.com/pa

About Preqin

Preqin private equity provides information products and services to private equity and venture capital firms, fund of funds, investors, placement agents, law firms, investment banks and advisors across the following main areas:

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

Our customers can access this market intelligence in four different ways:

- Hard copy publications
- Online database services
- Consulting and research support
- Tailored data downloads

Our services and products are used daily by thousands of professionals from around the world. If you are in need of information on the private equity industry then we can help.

Our information is drawn from as many sources as possible, with our large teams of dedicated analysts working to ensure that our research is far reaching, detailed and up to date.

Preqin regularly releases research and information on fundraising and all other aspects of the private equity industry as both research reports, and as part of our monthly Spotlight newsletter. To register to receive more research and analysis, please visit www.preqin.com/spotlight

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